HKEX 香港交易所

April 2024

Consultation Conclusions

Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework

CONTENTS

DEFINITIONS

TERM	DEFINITION
"Appendix C2" or "ESG Code"	the Environmental, Social and Governance Reporting Guide (to be renamed as the Environmental, Social and Governance Reporting Code with effect from 1 January 2025) set out in Appendix C2 to the Main Board Listing Rules or Appendix C2 to the GEM Listing Rules;
"Capabilities Relief"	a proportionality relief under the ISSB Climate Standard to consider the skills, capabilities and resources available to an issuer;
"Commercial Sensitivity Relief"	a relief to exempt disclosure of information about a climate-related opportunity in limited circumstances where such information is commercially sensitive and not publicly available (see note 2 to paragraph 20 of Appendix C2), developed with reference to provisions of the ISSB General Standard;
"Conclusions Paper"	Conclusions to the Consultation Paper (i.e. this paper);
"Consultation Paper"	the Consultation Paper on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework;
"cross-industry metrics"	climate-related metrics which are relevant to companies regardless of industry;
"ESG"	environmental, social and governance;
"Exchange" or "we"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
"Financial Effects Relief"	a relief to allow disclosure of qualitative instead of quantitative financial information where certain conditions are met (see notes 3 and 5 to paragraph 25 of Appendix C2), developed with reference to provisions of the ISSB Climate Standard;
"GEM"	GEM of The Stock Exchange of Hong Kong Limited;
"GEM Listing Rules" or "GEM Rules"	rules governing the listing of securities on GEM;
"GRI Standards"	a set of interrelated sustainability reporting standards that enable organisations to report publicly on their economic, environmental and social impacts and contribution towards sustainable development developed by the Global Sustainability Standards Board of the GRI;
"HKEX"	Hong Kong Exchanges and Clearing Limited;
"HKICPA"	The Hong Kong Institute of Certified Public Accountants;
"HK Roadmap"	a comprehensive roadmap to adopt the ISSB Standards as appropriate, taking into account Hong Kong's position on the global green finance map, as well as local regulatory expectations and circumstances;
"HK Standards"	the local sustainability disclosure standards to be developed by HKICPA aligned with the ISSB Standards;
"IAASB"	the International Auditing and Assurance Standards Board, an independent standard-setting body that sets international standards for auditing, quality control, review, other assurance and related services;

"Implementation Guidance"	implementation guidance issued by the Exchange together with the Conclusions Paper;
"industry-based metrics"	industry-based metrics which are relevant to companies operating in specific industry sectors;
"Interim Period"	the interim period proposed in the Consultation Paper, being an issuer's first and second reporting periods following the effective date of the Rule amendments;
"IFRS Foundation"	International Financial Reporting Standards Foundation;
"IOSCO"	the International Organisation of Securities Commissions, being an association of organisations that regulate the world's securities and futures markets;
"ISSB"	the International Sustainability Standards Board established by the IFRS Foundation in November 2021 for the development of the ISSB Standards;
"ISSB Adoption Guide Preview"	the preview of the inaugural jurisdictional guide for the adoption or other use of the ISSB Standards published by the IFRS Foundation in February 2024;
"ISSB Climate Standard"	the IFRS S2 Climate-related Disclosures published by the ISSB in June 2023;
"ISSB General Standard"	the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information published by the ISSB in June 2023;
"ISSB Proportionality Reliefs"	the Capabilities Relief and the Reasonable Information Relief;
"ISSB Standards"	the ISSB Climate Standard and the ISSB General Standard;
"KPI"	key performance indicators;
"LargeCap Issuers"	issuers that are Hang Seng Composite LargeCap Index constituents;
"Listing Rules" or "Rules"	the Main Board Listing Rules and the GEM Listing Rules;
"Main Board"	main board of The Stock Exchange of Hong Kong Limited;
"Main Board Listing Rules" or "MB Rules"	rules governing the listing of securities on The Stock Exchange of Hong Kong Limited;
"New Climate Requirements"	the new climate-related disclosure requirements set out in Part D of Appendix C2;
"Phased Approach"	the implementation approach for the New Climate Requirements as set out in paragraph 8 of this Conclusions Paper;
"Reasonable Information Relief"	a proportionality relief under the ISSB Climate Standard which enable issuers to use all reasonable and supportable information available to them at the reporting date without undue cost or effort to make certain disclosures. The assessment of what constitutes undue cost or effort depends on the issuer's circumstances and requires a balanced consideration of the costs and efforts for the issuer and the benefits of the

	resulting information for stakeholders;
“SASB Standards”	a set of industry-based standards that guide the disclosure of financially material sustainability information by companies to their investors. Effective from 1 August 2022, the SASB Standards are under the oversight of the ISSB;
“SFC”	the Hong Kong Securities and Futures Commission;
“Steering Group”	the Green and Sustainable Finance Cross-Agency Steering Group established in May 2020 and co-chaired by the Hong Kong Monetary Authority and the SFC. Members include the Environment Bureau, the Financial Services and the Treasury Bureau, the Accounting and Financial Reporting Council, HKEX, the Insurance Authority and the Mandatory Provident Fund Schemes Authority. The Steering Group aims to co-ordinate the management of climate and environmental risks to the financial sector, accelerate the growth of green and sustainable finance in Hong Kong and support the Government’s climate strategies;
“TCFD”	the Financial Stability Board’s Task Force on Climate-related Financial Disclosures; and
“TCFD Recommendations”	the Recommendations of the Task Force on Climate-related Financial Disclosures issued by the TCFD in June 2017.

GLOSSARY OF TECHNICAL TERMS

TERM	MEANING
business model	An issuer's system of transforming inputs through its activities into outputs and outcomes that aim to fulfil the issuer's strategic purposes and create value for the issuer and hence generate cash flows over the short, medium and long term.
carbon credit	An emissions unit that is issued by a carbon crediting programme and represents an emission reduction or removal of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked and cancelled by means of an electronic registry.
climate resilience	The capacity of an issuer to adjust to climate-related changes, developments or uncertainties. Climate resilience involves the capacity to manage **climate-related risks** and benefit from **climate-related opportunities**, including the ability to respond and adapt to **climate-related transition risks** and **climate-related physical risks**. An issuer's climate resilience includes both its strategic resilience and its operational resilience to climate-related changes, developments and uncertainties.
Climate-related physical risks	Risks resulting from climate change that can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity. These risks could carry financial implications for issuers, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The issuers' financial performance could also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting issuers' premises, operations, supply chains, transportation needs and employee health and safety.
Climate-related risks and opportunities	Climate-related risks refers to the potential negative effects of climate change on an entity. These risks are categorized as **climate-related physical risks** and **climate-related transition risks**. Climate-related opportunities refers to the potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate-related opportunities for an entity.
Climate-related transition plan	An aspect of an issuer's overall strategy that lays out the issuer's targets, actions or resources for its transition towards a lower-carbon economy, including actions such as reducing its **greenhouse gas emissions**.
climate-related transition risks	Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market and reputational risks. These risks could carry financial implications for an issuer, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The issuer's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology.

TERM	MEANING
CO_2 equivalent	The universal unit of measurement to indicate the **global warming potential** of each **greenhouse gas**, expressed in terms of the **global warming potential** of one unit of carbon dioxide. This unit is used to evaluate releasing (or avoiding releasing) different **greenhouse gases** against a common basis.
financed emissions	The portion of gross greenhouse gas emissions of an investee or counterparty attributed to the loans and investments made by an entity to the investee or counterparty. These emissions are part of Scope 3 Category 15 (investments) as defined in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standards (2011).
global warming potential	A factor describing the radiative forcing impact (degree of harm to the atmosphere) of one unit of a given **greenhouse gas** relative to one unit of CO_2.
greenhouse gases / GHG	The seven greenhouse gases listed in the Kyoto Protocol – carbon dioxide (CO_2); methane (CH_4); nitrous oxide (N_2O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF_3); perfluorocarbons (PFCs); and sulphur hexafluoride (SF_6).
indirect greenhouse gas emissions	Emissions that are a consequence of the activities of an entity, but occur at sources owned or controlled by another entity.
internal carbon price	Price used by an issuer to assess the financial implications of changes to investment, production and consumption patterns, and of potential technological progress and future emissions-abatement costs. An issuer can use internal carbon prices for a range of business applications. Two types of internal carbon prices that an issuer commonly uses are: (a) a shadow price, which is a theoretical cost or notional amount that the issuer does not charge but that can be used to understand the economic implications or trade-offs for such things as risk impacts, new investments, the net present value of projects, and the cost and benefit of various initiatives; and (b) an internal tax or fee, which is a carbon price charged to a business activity, product line, or other business unit based on its **greenhouse gas** emissions (these internal taxes or fees are similar to intracompany transfer pricing).
latest international agreement on climate change	An agreement by states, as members of the United Nations Framework Convention on Climate Change, to combat climate change. The agreements set norms and targets for a reduction in **greenhouse gases**.
scope 1 greenhouse gas emissions	Direct **greenhouse gas** emissions that occur from sources that are owned or controlled by an issuer.
scope 2 greenhouse gas emissions	**Indirect greenhouse gas emissions** from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an issuer. Purchased and acquired electricity is electricity that is purchased or otherwise brought into an issuer's boundary. Scope 2 greenhouse gas emissions physically occur at the facility where electricity is generated.

TERM	MEANING
scope 3 greenhouse gas emissions	**Indirect greenhouse gas emissions** (not included in **scope 2 greenhouse gas emissions**) that occur in the **value chain** of an issuer, including both upstream and downstream emissions. Scope 3 greenhouse gas emissions include the **scope 3 categories** in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).
scope 3 categories	**Scope 3 greenhouse gas emissions** are categorized into these 15 categories – as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011): (1) purchased goods and services; (2) capital goods; (3) fuel- and energy-related activities not included in **scope 1 greenhouse gas emissions** or **scope 2 greenhouse gas emissions**; (4) upstream transportation and distribution; (5) waste generated in operations; (6) business travel; (7) employee commuting; (8) upstream leased assets; (9) downstream transportation and distribution; (10) processing of sold products; (11) use of sold products; (12) end-of-life treatment of sold products; (13) downstream leased assets; (14) franchises; and (15) investments.
value chain	The full range of interactions, resources and relationships related to an issuer's **business model** and the external environment in which it operates. A value chain encompasses the interactions, resources and relationships an issuer uses and depends on to create its products or services from conception to delivery, consumption and end-of-life, including interactions, resources and relationships in the issuer's operations, such as human resources; those along its supply, marketing and distribution channels, such as materials and service sourcing, and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the issuer operates.

EXECUTIVE SUMMARY

Purpose

1. On 14 April 2023, the Exchange published a Consultation Paper seeking views on proposals to amend its ESG reporting framework, which is predominantly set out in Appendix C2, to mandate that listed issuers make climate-related disclosures based on the ISSB Climate Standard in their ESG reports (i.e. upgrade from the current "comply or explain"). This paper sets out our conclusions to the consultation.

Hong Kong roadmap for sustainability disclosures

2. Published in June 2023, the final ISSB Standards aim to serve as the global baseline of sustainability reporting standards for entities worldwide to prepare consistent, comparable and reliable sustainability disclosures. The ISSB also indicated that an adoption guide will be published to support jurisdictional regulators to help them in their implementation considerations and to advise on scalability and phasing-in measures for the application of the ISSB standards[1]. In July 2023, the IOSCO endorsed[2] the ISSB Standards and called on its member jurisdictions to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements.

3. In August 2023, the Steering Group announced[3] its priorities to further strengthen Hong Kong's sustainable finance ecosystem. It recognised the importance of investors and other market participants having accurate, consistent and relevant information about sustainability-related matters. It identified as a key priority the need to develop a comprehensive Hong Kong roadmap to adopt the ISSB Standards as appropriate, taking into account Hong Kong's position on the global green finance map, as well as local regulatory expectations and circumstances ("**HK Roadmap**"). This was also referred to by the Chief Executive in his 2023 Policy Address[4].

4. In November 2023, the Exchange issued a press release[5] to announce the postponement of the effective date of the New Climate Requirements to 1 January 2025. It was also stated that in finalising the New Climate Requirements, the Exchange would consider the ISSB's recommended approaches on the proportionality and phasing-in of requirements under the ISSB Standards to be set out in the ISSB's adoption guide. In February 2024, the IFRS Foundation published the ISSB Adoption Guide Preview, which suggests a focus on publicly accountable entities[6] and allows jurisdictional regulators to classify these entities into different market tiers with reference to thresholds such as an issuer's size, volume of traded securities or liquidity, and consider an accelerated introduction of the requirements of the ISSB Standards for the more advanced market tiers.

[1] See Cover note: Adoption Guide overview published by the IFRS Foundation.

[2] IOSCO, media release dated 25 July 2023.

[3] Steering Group announcement dated 7 August 2023.

[4] Policy Measures of the Chief Executive's 2023 Policy Address.

[5] HKEX, news release dated 3 November 2023

[6] Entities whose securities are traded in public markets.

5. In March 2024, the Hong Kong Government's Financial Services and the Treasury Bureau ("**FSTB**") published a statement[7] (the "**Vision Statement**") setting out the vision and approach of the Government and financial regulators towards developing a comprehensive ecosystem for sustainability disclosure in Hong Kong. In particular, the HKICPA will assume the role of the sustainability reporting standard setter in Hong Kong to develop local sustainability reporting standards ("**HK Standards**") aligned with the ISSB Standards as well as complementary application and implementation guidance. The proposals in the Consultation Paper serve as a first step to prepare listed companies towards eventual sustainability reporting in accordance with the HK Standards.

Market Feedback

6. The consultation period ended on 14 July 2023. We received a total of 115 submissions[8] to the Consultation Paper from a broad range of respondents, including listed issuers, professional bodies and industry associations, market practitioners, investment managers, non-governmental / charitable organisations and individuals.[9] 114 responses contained original content.

7. Respondents were generally supportive of our proposal to introduce mandatory climate-related disclosures. All of our proposals received support from a majority of the respondents[10], while a number of respondents called for phased implementation of the new requirements and wider alignment with the ISSB Standards (including the ISSB Proportionality Reliefs and reporting principles under the ISSB Standards).

Implementation of New Climate Requirements

8. After considering the ISSB Adoption Guide Preview and the market feedback, we will adopt a phased approach by requiring issuers to report on the New Climate Requirements, as follows[11]:

   (a) all listed issuers (i.e. both Main Board listed issuers and GEM listed issuers) will be required to disclose scope 1 and scope 2 GHG emissions on a mandatory basis for financial years commencing on or after 1 January 2025;

   (b) all Main Board listed issuers will be required to report on the New Climate Requirements (other than scope 1 and scope 2 GHG emissions which are required

[7] See Hong Kong Government, press release dated 25 March 2024

[8] Submissions with entirely identical content were counted as one response. Submissions by a professional body or industry association were counted as one response irrespective of the number of individual members that body/association represents.

[9] See paragraph 29 for the number of responses received under each category.

[10] Please refer to the quantitative analysis of the responses to the consultation questions set out in **Appendix II**.

[11] See paragraphs 16 and 17 of Appendix C2.

to be disclosed by all issuers) on a "comply or explain" basis for financial years commencing on or after 1 January 2025;

(c) LargeCap Issuers (i.e. Hang Seng Composite LargeCap Index constituents) will be required to report on the New Climate Requirements on a mandatory basis for financial years commencing on or after 1 January 2026; and

(d) GEM listed issuers are encouraged to report on the New Climate Requirements (in addition to scope 1 and scope 2 GHG emissions which are required to be disclosed by all issuers) for financial years commencing on or after 1 January 2025, on a voluntary basis.

<table>
<tr><th></th><th colspan="2">New Climate Requirements effective date</th></tr>
<tr><th></th><th>Disclosure of scope 1 and scope 2 GHG emissions</th><th>Disclosures other than scope 1 and scope 2 GHG emissions)</th></tr>
<tr><td>LargeCap Issuers</td><td rowspan="3">Mandatory disclosure
(Financial years commencing on or after 1 January 2025)</td><td>- "Comply or explain": in financial years commencing on or after 1 January 2025
- Mandatory disclosure: in financial years commencing on or after 1 January 2026</td></tr>
<tr><td>Main Board Issuers (other than LargeCap Issuers)</td><td>"Comply or explain"
(Financial years commencing on or after 1 January 2025)</td></tr>
<tr><td>GEM issuers</td><td>Voluntary disclosure
(Financial years commencing on or after 1 January 2025)</td></tr>
</table>

9. For the avoidance of doubt, the table above only summarises issuers' disclosure obligations under Part D of the ESG Code. Non-climate disclosure requirements set out in Parts A to C of the ESG Code will continue to apply. All issuers must continue to report on the relevant provisions in their ESG reports. In particular, GEM issuers shall continue to make climate-related disclosures pursuant to Aspect A4: Climate change of Part C of the ESG Code on a "comply or explain" basis.

Major Changes Adopted

10. In light of market feedback and the HK Roadmap, with a view to prepare our issuers towards the goal of sustainability and climate reporting in accordance with the HK Standards, we will:

(a) reflect the ISSB Climate Standard (including the ISSB Proportionality Reliefs) in the New Climate Requirements, to the maximum extent possible; and

(b) incorporate and encourage compliance with relevant reporting principles under the ISSB General Standard and further elaborate on the requirements of the ISSB Climate Standard in our Implementation Guidance.

11. Under the Phased Approach, all Main Board issuers are required to report in accordance

with the New Climate Requirements on a “comply or explain” regime for financial year 2025, while LargeCap Issuers will be subject to mandatory climate reporting pursuant to the New Climate Requirements for financial years commencing on or after January 2026. Under the “comply or explain” regime, issuers must provide considered reasons for non-disclosure of information required under the Rules.

12. In addition, where an issuer has yet to disclose information required by under any of the New Climate Requirements, regardless of whether an issuer has (i) opted to “explain” why it has not made a particular disclosure under the “comply or explain” regime, or (ii) chosen to apply an implementation relief available under the Rules (whether it is required to report on a mandatory or “comply or explain” basis), it is encouraged to provide information on the work plan, progress and timetable for making the required disclosure[12].

13. The table below sets out a summary of our original proposals in April 2023 and the final Rules (with a description of the major modifications adopted).

Original proposals (April 2023)		**Final Rules**
<u>Governance</u>		
1.	Disclose issuer’s governance process, controls and procedures used to monitor and manage climate-related risks and opportunities	Adopt
<u>Strategy</u>		
2.	<u>Climate-related risks and opportunities</u> Disclose climate-related risks and (if the issuer opts to) opportunities, and their impact on the issuer’s business operations, business model and strategy	Adopt with modifications: • Require disclosure of climate-related opportunities • <u>Introduce implementation reliefs:</u> (i) Make available the Reasonable Information Relief (i.e. an issuer is required to “*use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort*”) for identification of climate-related risks and opportunities (ii) Make available the Commercial Sensitivity Relief (i.e. exempt disclosure of information about a climate-related opportunity where it is commercially sensitive, subject to certain conditions)[13] for disclosure of climate-related opportunities
3.	<u>Transition plans</u>	Adopt with modifications:

[12] See paragraph 16 of Appendix C2.

[13] This exemption applies to all disclosures so far as climate-related opportunities are concerned.

	Original proposals (April 2023)	Final Rules
	Disclose issuer's response to the climate-related risks and opportunities identified, including: (i) Any changes to its business model and strategy, and any adaptation / mitigation efforts; and	• Require disclosure of any climate-related transition plan the issuer has (or an appropriate negative statement) • Require disclosure of how the issuer plans to achieve climate-related targets disclosed (if any)
	<u>Climate-related targets</u> (ii) any climate-related targets the issuer has set for transition plans, and any GHG emissions targets it is required to meet by local legislation; *Alternative disclosure:* Where no climate-related targets are set and disclosed, disclose issuer's work plan, progress and timetable for doing so.	Adopt with modifications: • Relocate this requirement to the "Metrics and Targets" pillar • Require disclosure of *any targets* the issuer is required to meet by law or regulation, including any GHG emissions target • Require more granular disclosure relating to an issuer's approach to setting and reviewing climate-related targets
4.	<u>Progress of transition plans</u> Disclose progress made in respect of the issuer's transition plans	Adopt with modifications: • Under the "Strategy" pillar, require disclosure of progress made in respect of an issuer's plans to respond to climate-related risks and opportunities disclosed • Under the "Metrics and Targets" pillar, require disclosure of an issuer's performance against each climate-related target disclosed and an analysis of trends or changes in the issuer's performance
5.	<u>Climate resilience</u> Disclose the resilience of the issuer's strategy (including its business model) and operations to climate-related changes, developments or uncertainties, which shall be assessed using a method of climate-related scenario analysis that is commensurate with the issuer's circumstances	Adopt with modifications: • <u>Introduce implementation reliefs:</u> Make available the Reasonable Information Relief and Capabilities Relief for the determination of the approach to climate-related scenario analysis • Require disclosure of whether the climate-related scenario analysis included a diverse range of scenarios, and whether the issuer used a scenario aligned with the latest international agreement on climate change
6.	<u>Financial effects of climate-related risks and opportunities</u> *<u>Current financial effect</u>* Disclose qualitative (where material, quantitative) information of the current financial effects of climate-related risks and opportunities (if the issuer opts to) on the issuer's financial position, financial performance and cash flows	Adopt with modifications: • <u>Introduce implementation relief:</u> Make available the Financial Effects Relief (i.e. allow disclosure of qualitative instead of quantitative information where certain conditions are met) for disclosure of quantitative current financial effects In providing quantitative information, allow disclosure of a single amount or a range

Original proposals (April 2023)		Final Rules
	Interim provision during Interim Period: Allow qualitative disclosures if the issuer is yet to disclose quantitative information	• Remove interim provision as the Financial Effects Relief is available
7.	<u>*Anticipated financial effect*</u> Disclose qualitative anticipated financial effects of climate-related risks and opportunities (if the issuer opts to) on the issuer's financial position, financial performance and cash flow	Adopt with modifications: • Require disclosure of both qualitative and quantitative information • <u>Introduce implementation reliefs:</u> (i) Make available the Reasonable Information Relief and Capabilities Relief for disclosure of anticipated financial effects (ii) Make available the Financial Effects Relief for disclosure of quantitative anticipated financial effects (iii) Allow non-disclosure of quantitative anticipated financial effects if an issuer does not have the skills, capabilities or resources to provide that quantitative information • In providing quantitative information, allow disclosure of a single amount or a range
	Interim provision during Interim Period: Disclose work plan, progress and timetable for making the required disclosures where an issuer is yet to disclose anticipated financial effects	• Remove interim provision as the Reasonable Information Relief, the Capabilities Relief and the Financial Effects Relief are available
<u>***Risk Management***</u>		
8.	Disclose process used to identify, assess and manage climate-related risks	Adopt with modifications: • Require disclosure of inputs and parameters the issuer uses • Require disclosure of whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks
9.	Disclose process used to identify, assess and manage climate-related opportunities (if the issuer opts to)	Adopt with modifications: • Require disclosure of process used to identify, assess and manage climate-related opportunities (including information about whether and how the issuer uses climate-related scenarios analysis to inform its identification of climate-related opportunities)

	Original proposals (April 2023)	Final Rules
Metrics and Targets		
10.	GHG emissions Disclose scope 1, scope 2 GHG emissions	Adopt with modifications: • Require disclosure of scope 2 GHG emissions using a location-based method
11.	Disclose scope 3 GHG emissions, including in-scope categories of significant upstream or downstream categories and basis of selection	Adopt with modifications: • Introduce implementation reliefs: (i) Make available the Reasonable Information Relief for reporting of scope 3 GHG emissions (ii) Allow issuers to measure GHG emissions using information for reporting periods that are different from its own reporting period, subject to certain conditions
	Interim provision during Interim Period Disclose (a) information, to the extent reasonably available, that may enable investors to understand the issuer's relevant upstream and downstream activities along the value chain, and (b) its work plan, progress and timetable for making the required disclosure	• Remove interim provision as certain implementation reliefs are available
12.	Other cross-industry metrics Disclose	
	(a) Percentage of assets or business activities vulnerable to transition/ physical risks	Adopt
	(b) Percentage of assets or business activities aligned with climate-related opportunities	Adopt
	(c) Amount of capital expenditure deployed towards climate-related risks and opportunities	Adopt
	Interim provisions during Interim Period An issuer who has yet to make quantitative disclosures should: (a) describe the assets or business activities vulnerable or aligned with such risks or opportunities, or that require capital expenditure; and (b) work plan, progress and timetable for full disclosure	• Remove interim provisions • Introduce implementation relief: in relation to 12(a) and (b), make available the Reasonable Information Relief
13.	Internal carbon price	Adopt, and require a negative statement if the issuer does not apply a carbon price in decision-making

Original proposals (April 2023)		Final Rules
	For issuers who maintain an internal carbon price, disclose the internal carbon price and explain how it is applied in the issuer's decision-making	
14.	<u>Remuneration</u> Disclose how climate-related considerations are factored into remuneration policy	Adopt, and require a negative statement if climate-related considerations are not factored into remuneration policy
15.	<u>Industry-based metrics</u> Consider industry-based disclosure requirements prescribed under international ESG reporting frameworks and make disclosures as the issuer sees fit	Adopt

14. The relevant Main Board Rules are set out in **Appendix III**, and the relevant amendments made to the GEM Rules are set out in **Appendix IV**[14].

15. We have issued Implementation Guidance to accompany the New Climate Requirements. This is to assist issuers in understanding and interpreting the new requirements. The Implementation Guidance: (a) sets out principles, guidance and illustrative examples for the implementation of the new Rules; and (b) refers issuers to step-by-step workflows, external frameworks and tools which would be helpful in the preparation of disclosures. The Implementation Guidance also references the ISSB Standards (for example the relevant reporting principles under the ISSB General Standard and the ISSB Climate Standard application guidance) insofar as they are relevant / applicable.

16. While the Implementation Guidance does not constitute part of the Listing Rules, we encourage issuers to refer to and apply the Implementation Guidance when preparing their climate-related disclosures under the new Rules. The Implementation Guidance was developed with the intent of assisting issuers better prepare for the eventual adoption of HK Standards.

Role of the Exchange under the HK Roadmap

17. When the HK Standards are available, we will consider whether and how to transition towards sustainability reporting in accordance with the HK Standards, including whether to replace our current ESG regulatory framework[15] with a straightforward Listing Rule requirement directing listed issuers to publish sustainability reports in accordance with those HK Standards. This approach is consistent with the approach we currently adopt for financial reporting more generally. When we consult the market on the implementation of the HK Standards, we will also consider whether and how to align the non-climate disclosures requirements under the ESG Code with those under the HK Standards.

[14] As ISSB has yet to publish the official Chinese translation of the ISSB Standards, the Chinese version of the final Listing Rule amendments may be further adjusted to reflect language adopted in the official ISSB Chinese translation.

[15] Which primarily comprises Appendix C2.

18. Until that time, the New Climate Requirements serve as an interim step to prepare issuers towards sustainability and climate reporting in accordance with the HK Standards as contemplated under the HK Roadmap. Issuers should start to familiarise themselves with the New Climate Requirements and the ISSB Standards, identify any gaps in their internal procedures and systems, and put in place necessary measures as soon as possible. **Appendix V** sets out a table which maps provisions of the ISSB Climate Standard with the ESG Code.

19. Under paragraph 8 of the existing ESG Code, issuers may refer to existing international ESG reporting guidance when preparing their ESG reports[16], including the ISSB Standards. An ESG report prepared in compliance with the ISSB Standards will be considered to have complied with Part D of the ESG Code[17].

20. IPO applicants can refer to Chapter 4.3 (Corporate Governance & Environmental, Social and Governance) of HKEX's Guide for New Listing Applicants for principles and guidance on prospectus disclosures in relation to ESG matters. IPO applicants should also be mindful of the New Climate Requirements and commence necessary preparatory work to ensure that they have the relevant systems, policies and processes in place to ensure compliance after listing once the new Rules take effect.

Going Forward

21. We are committed to upholding market quality by helping to ensure that corporate governance and ESG standards are robust, meet stakeholders' expectations and reflect international best practice. The New Climate Requirements form part of the wider HK Roadmap for the local adoption of the ISSB Standards by listed companies, while at the same time generating momentum for the development of Hong Kong's local ESG ecosystem. We will continue to closely monitor local and international regulatory developments in this area and explore, together with members of the Steering Group (including the SFC), means to enhance the interoperability of the ESG Code with other jurisdictional or global ESG reporting frameworks.

22. The Exchange has provided, and will continue to provide, training resources and materials via its ESG Academy, our one-stop educational platform, to assist issuers with their ESG reporting. Going forward, we will provide further guidance and training as appropriate, based on our observations and review of issuers' compliance.

[16] See paragraph 46.

[17] See revised paragraph 8 of Appendix C2.

CHAPTER 1: INTRODUCTION

Overview

Background

23. On 14 April 2023, the Exchange published its Consultation Paper seeking market feedback on proposals to enhance climate-related disclosures under our existing ESG reporting framework. The proposals sought to maintain Hong Kong's competitiveness as a green and sustainable international financial centre, accelerate the building of resilience for the long-term sustainability journey of our issuers, and ensure that our ESG reporting framework continues to meet stakeholders' expectations and reflects international best practices.

Recent developments

24. Since the publication of the Consultation Paper, there have been further international developments in ESG reporting and climate-related disclosure.

25. In June 2023, the ISSB published its final ISSB General Standard and ISSB Climate Standard, which aim to serve as the global baseline of sustainability reporting standards for entities worldwide to prepare consistent, comparable and reliable sustainability disclosures. ISSB has indicated that jurisdictions may mandate and combine the ISSB Standards with jurisdiction-specific requirements or requirements aimed at meeting the information needs of broader stakeholder groups beyond investors.

26. In July 2023, IOSCO endorsed the ISSB Standards and called on its member jurisdictions to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards within the context of their jurisdictional arrangements.

27. In August 2023, the IAASB launched a consultation on its proposed International Standard on Sustainability Assurance 5000, *General Requirements for Sustainability Assurance Engagements*, which is intended to be a global sustainability assurance standard[18] to enhance stakeholder confidence in sustainability reporting.

28. In February 2024, the IFRS Foundation published the ISSB Adoption Guide Preview, which sets out features and descriptions of jurisdictional approaches to adopt or otherwise use the ISSB Standards, including proportionality and phasing-in measures for the application of the ISSB Standards. The ISSB Adoption Guide Preview suggests prioritising climate disclosures by publicly accountable entities and classifying entities into different market tiers with reference to thresholds such as an issuer's size, volume of traded securities or liquidity, following which jurisdictional regulators may consider an accelerated introduction of ISSB requirements for the more advanced market tiers. It also notes that making progress over a transition period, perhaps with a series of milestones towards the adoption or other use of the ISSB Standards, is a useful strategy to build professional capacity in multiple levels of the corporate reporting ecosystem.

29. Please also refer to **Appendix VI** for a summary of our understanding of new developments in this area in the People's Republic of China, the European Union, the

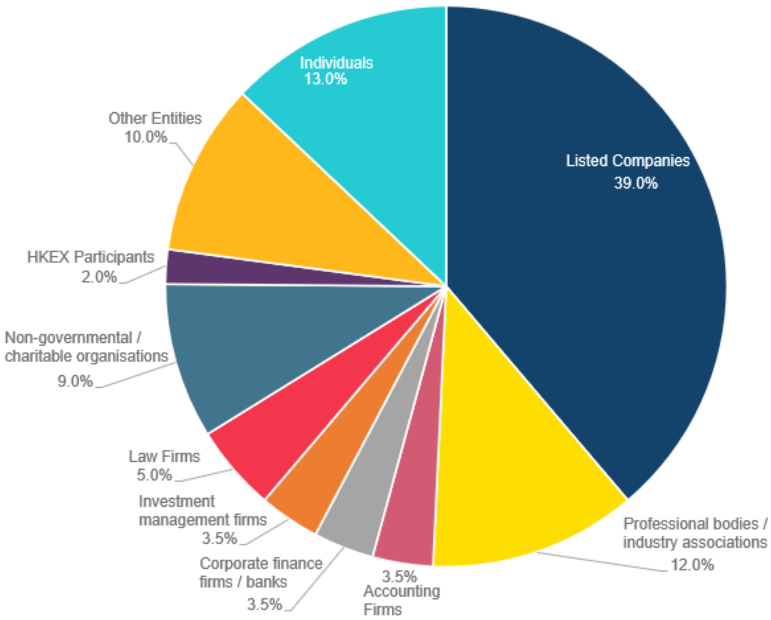
[18] IAASB, news release dated 2 August 2023. The consultation period closed on 1 December 2023.

United States, the United Kingdom, Canada, Singapore and Australia since the publication of the Consultation Paper.

Number and Nature of Respondents

30. This paper sets out a summary of the key comments made by respondents on the proposals set out in the Consultation Paper, and our responses and conclusions.

31. We received a total of 115 submissions to the Consultation Paper from a broad range of respondents, of which 114 responses contained original content. The respondents can be grouped into broad categories as follows:



32. A list of the respondents (other than those who requested anonymity) is set out in **Appendix I**. Except for one respondent who indicated that they did not wish their response to be published, the full text of all the submissions is available on the HKEX website. We would like to thank all those who shared their views with us during the consultation process.

33. The Exchange used its best judgment to categorise the respondents using the most appropriate descriptions.

Methodology

Qualitative analysis

34. We performed a qualitative analysis so that we could properly consider the broad spectrum of respondents and their views. A qualitative analysis enabled the Exchange to give due weight to responses submitted on behalf of multiple persons or institutions and the underlying rationale for a respondent's position.

Quantitative analysis

35. We also performed a quantitative analysis to determine the support, in purely numerical terms, for the proposals. The result of this analysis is set out in **Appendix II**.

36. For the purpose of our quantitative analysis, we counted the number of responses received, not the number of respondents those submissions represented. For example, a submission by a professional body was counted as one response even though that body may represent many members.

37. In calculating the percentage of support for or against each proposal, we excluded those respondents who did not respond or did not indicate clearly a view to that proposal. For each question[19], at least 82% of respondents indicated clearly their views.

[19] Questions 1 to 26 (inclusive) of the Consultation Paper regarding the proposed climate-related disclosure requirements in Part D of Appendix C2.

CHAPTER 2: MARKET FEEDBACK AND CONCLUSIONS

General comments

38. We observed the following common comments regarding the implementation and future development of our ESG reporting framework that do not correspond to any of the consultation questions.

Adoption of the ISSB Standards

39. There were requests to consider the adoption of both the ISSB General Standard and the ISSB Climate Standard in full, or a plan towards full adoption.

40. Some respondents considered that as an entity is required to apply the reporting principles and general requirements under the ISSB General Standard in order to assert compliance with the ISSB Standards, the Exchange should also incorporate the ISSB General Standard into the ESG Code.

41. One respondent further suggested that before the ESG Code is fully aligned with the ISSB Standards, an issuer who has reported on sustainability in full compliance with the ISSB Standards should be deemed to have fully complied with the ESG Code.

Our response and conclusion

42. We recognise that ISSB's work has received strong support from investors, governments and international bodies. We, as a member of the Steering Group, support the ISSB Standards as they will facilitate more consistent disclosure, promote market best practices, and ultimately contribute to the accessibility and affordability of sustainable financing for corporates.

43. Under the HK Roadmap, HKICPA will assume the role of the sustainability reporting standard setter in Hong Kong to develop the HK Standards. When the HK Standards are available, we will consider whether and how to transition towards sustainability reporting in accordance with the HK Standards.

44. Our Consultation Paper focused on the climate-related disclosures under the ISSB Climate Standard, which aligns with ISSB's "climate first" approach. We have incorporated reporting principles under the ISSB General Standard (insofar as they are relevant / applicable to climate-related disclosures) into the Implementation Guidance. **Appendix VI** sets out those relevant ISSB reporting principles and the location of corresponding discussions in the Implementation Guidance.

45. We strongly encourage issuers to refer to and apply the Implementation Guidance when reporting on the New Climate Requirements, as doing so will help them to prepare for the eventual adoption of HK Standards. We will also revise the ESG Code to direct issuers to the definitions and application guidance set out in Appendix A and Appendix B of the ISSB Climate Standard, respectively[20]. When preparing disclosures, issuers should refer to these appendices to enhance their understanding of the New Climate Requirements, relevant measurement approaches and applicable implementation

[20] See paragraph 18 of Appendix C2.

reliefs.

46. We reiterate that issuers may adopt international ESG reporting guidance, including the ISSB Standards, so long as they include comparable disclosures to those required under the ESG Code[21]. It means that issuers may adopt alternative ESG reporting frameworks, so long as they clearly indicate where the disclosures required under the ESG Code are incorporated [22]. We also state, in the ESG Code, that we will consider ESG reports prepared in compliance with ISSB Standards to have complied with Part D of the ESG Code[23].

Implementation timeline

47. Some respondents commented that the effective date should be postponed to beyond 1 January 2024 to allow issuers more time to digest and prepare for the new reporting requirements, as well as wider capacity building. In November 2023, the Exchange has already announced to postpone the effective date to 1 January 2025. There were also suggestions to consider phased implementation (either on a per requirement basis or for issuers, depending on their size or industry sector). One respondent proposed phased implementation by allowing disclosure requirements to be subject to "comply or explain" for the first financial year commencing after the effective date, followed by mandatory disclosures in the following financial year.

48. Mixed feedback was also received on the length of the interim period in respect of more challenging disclosures. Respondents tended to advocate for a longer interim period in light of concerns around data availability and data accuracy.

Our response and conclusion

49. We have over 2,600 issuers listed on our market of varying sizes, resources, capabilities and level of sophistication in respect of ESG reporting. The ISSB Adoption Guide Preview sets out proportionality and phasing in measures for the application of ISSB Standards with reference to an issuer's size, trading volume and liquidity, allowing jurisdictional regulators to classify issuers into different market tiers and consider an accelerated introduction of the ISSB requirements for more advanced issuers.

<u>Phased Approach for New Climate Requirements</u>

50. Taking into account market readiness and leveraging on the proportionality and phasing-in measures available under the ISSB Adoption Guide Preview, we will adopt a Phased Approach and require issuers to report on the New Climate Requirements as follows:

(a) all listed issuers (i.e. both Main Board listed issuers and GEM listed issuers) will be required to disclose their scope 1 and scope 2 GHG emissions on a mandatory basis for financial years commencing on or after 1 January 2025;

(b) all Main Board listed issuers will be required to report on the New Climate Requirements (other than scope 1 and scope 2 GHG emissions which are required

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[21] See paragraph 8 of Appendix C2.

[22] For example, by way of a reference table directing readers to the relevant section of the ESG Report.

[23] See paragraph 8 of Appendix C2.

to be disclosed by all issuers) on a "comply or explain" basis for financial years commencing on or after 1 January 2025;

(c) LargeCap Issuers will be required to report on the New Climate Requirements on a mandatory basis for financial years commencing on or after 1 January 2026; and

(d) all GEM listed issuers are encouraged to report on the New Climate Requirements (in addition to scope 1 and scope 2 GHG emissions which are required to be disclosed by all issuers) for financial years commencing on or after 1 January 2025 on a voluntary basis.

51. The ISSB Adoption Guide Preview allows jurisdictional regulators to accelerate the implementation of the requirements under the ISSB Standards for more advanced preparers, determined with reference to companies' size, volume of traded securities or liquidity. Leveraging on these phasing-in measures, we will require LargeCap Issuers to start mandatory climate reporting first. Under the New Climate Requirements, issuers that are Hang Seng Composite LargeCap Index (**HSCLI**) constituents throughout the year immediately prior to the reporting year[24] will need to make mandatory disclosures from 2026 onwards. Accordingly, issuers that are constituents of the HSCLI throughout their entire financial year 2025 will be required to make mandatory climate disclosure in respect of their ESG reports for the financial year 2026, and such ESG reports will be published in 2027. For the avoidance of doubt, once an issuer becomes subject to mandatory disclosure of the New Climate Requirements, it must continue to disclose information according to the New Climate Requirements even if it subsequently ceases to be a HSCLI constituent[25].

52. As at 31 December 2023, the combined market capitalisation of HSCLI constituents accounted for 74.24% of the combined market capitalisation and 54.42% of the total year-to-date average daily trading volume of all listed issuers[26].

53. The Phased Approach enables larger issuers, commensurate with their resources available, to start mandatory climate reporting first, to generate momentum for the development of the local ESG ecosystem that could potentially serve a wider group of companies.

Implementation date for mandatory disclosure of scope 1 and scope 2 GHG emissions

54. In many sectors, scope 3 GHG emissions make up a significant proportion of a company's carbon footprint. Understanding a company's scope 3 GHG emissions is therefore essential to assessing the merits of its plan to transition to a lower carbon economy. That said, a company would not be able to disclose its scope 3 GHG emissions if scope 1 and scope 2 GHG emissions data from its value chain entities are not available. To facilitate the reporting of scope 3 GHG emissions, disclosure of scope 1 and scope 2 GHG emissions by all issuers will be mandatory for financial years commencing on or after 1 January 2025. Please refer to the section headed "(D) Metrics and targets > I. Greenhouse gas emissions" below for further details.

[24] In respect of the ESG report in question.

[25] See paragraph 17(2) and note to paragraph 17(2) of Appendix C2.

[26] The combined market capitalisation of HSCLI constituents (excluding secondary listed issuers (whom are not required to publish ESG reports pursuant to the ESG Code)) accounted for 64.05% of the combined market capitalisation and 46.41% of the total year-to-date average daily trading volume of all listed issuers.

55. We will continue to monitor issuers' climate-related disclosures and consider whether and how to upgrade the disclosure obligation of listed issuers (other than LargeCap Issuers) in respect of the New Climate Requirements from "comply or explain" to mandatory. In particular, we may consider mandating climate-related disclosures for all listed issuers when we consult the market on the implementation of the HK Standards (when available).

Definition of "Materiality"

56. Under ISSB Standards, an entity is required to disclose material information about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. Therefore, if the risk in question is not reasonably expected to affect the entity's cash flows, access to finance or cost of capital, the entity need not report on it.

57. Under the ESG Code, "materiality" is defined as the threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported[27]. So, "materiality", under the ESG Code, is not confined to financial materiality. This means that an issuer's board may determine that an ESG issue is material on grounds other than its impact on the company's financial performance or financial position.

58. Some respondents, who supported the adoption of the ISSB Standards in full, commented that "materiality" under the ESG Code should be revised to fully align with the financial materiality position of ISSB Standards.

59. Other respondents commented that as many investors have mandates that are more holistic and extend beyond the creation of financial value, a double materiality approach that considers both the impact of ESG issues on the company's financial value, as well as the impact of the company's activities on the environment, is preferred.

Our response and conclusion

60. The "materiality" reporting principle of the ESG Code was developed in 2012 with reference to the GRI Standards. The purpose of our consultation was to enhance issuers' climate-related disclosures by building on our existing ESG reporting framework. That existing framework continues to underpin our ESG Code, including its non-climate disclosure aspects. For this reason, we will not change the scope of the "materiality" reporting principle under the ESG Code at this juncture.

61. Materiality under the ESG Code is sufficiently wide to encompass a range of materiality considerations, including but not limited to, financial materiality. As such, the Listing Rules do not prevent the board from applying a financial materiality threshold (as required under the ISSB Standards) in determining disclosure of a climate-related risk or opportunity. We have considered feedback from respondents who prefer a double materiality approach that considers both the impact of ESG issues on the company's financial value, as well as the impact of the company's activities on the environment. For the avoidance of doubt, issuers are allowed to prepare disclosures for the purposes of the New Climate Requirements under the double materiality approach to provide

[27] See paragraph 11(1) of Appendix C2.

additional disclosures to meet the need of its stakeholders.

62. To prepare issuers towards eventual reporting in accordance with HK Standards, we will clarify in the "Materiality" reporting principle under the ESG Code [28] that for the purpose of the New Climate Requirements, an issuer must disclose information about climate-related risks and opportunities that could reasonably be expected to affect its cash flows, its access to finance or cost of capital over the short, medium or long term.

Feedback on consultation proposals

Upgrading climate-related disclosures to mandatory (Question 1)

63. We proposed to upgrade the climate-related disclosures in the ESG Code to mandatory from "comply or explain"[29].

Comments received

64. 79% of the respondents supported our proposal and 21% opposed it[30].

65. Respondents who supported the proposal commented that this approach aligns with the direction of travel in the global market, and would help Hong Kong maintain its position as a green and sustainable international financial centre. By including climate-related considerations into their governance and strategy, issuers can build their resilience and be better prepared for the effects of climate change. Consistent, comparable and reliable climate-related disclosures would also help investors make informed investment and voting decisions in line with their risk appetite and climate commitments.

66. On the other hand, there were concerns that mandatory climate reporting would create an undue regulatory and cost burden for issuers, especially small- and medium-size issuers who may lack the skills and resources to comply with the new requirements. Some respondents suggested that the Exchange consider a phased implementation of the new requirements.

Our response and conclusion

67. Our proposal aligns with the international direction of travel towards mandatory climate-related disclosures. Our aim is to prepare our issuers and facilitate their smooth transition to mandatory climate-related disclosures in accordance with HK Standards.

68. Notwithstanding the majority support for mandatory climate-related disclosures, we note the concerns expressed by respondents, especially small- to medium-size enterprises, over the increased compliance burden and time and resources required for mandatory climate reporting.

69. For the reasons set out in paragraphs 49 to 55 above, we will adopt the Phased

[28] See paragraph 11(1) of Appendix C2.

[29] See paragraphs 43 and 44 of the Consultation Paper.

[30] The market feedback from non-duplicate responses presented for each consultation question in Chapter 2 excludes respondents who did not respond or did not indicate clearly a view to a proposal.

Approach[31].

70. In addition, we will provide implementation reliefs where applicable to address concerns over the reporting challenges that some issuers may face by virtue of a lack of resources and/or technical knowledge and expertise. The table below summarises the New Climate Requirements where implementation reliefs are available.

Relevant New Climate Requirement	**Implementation relief**			
	Reasonable Information Relief	**Capabilities Relief**	**Commercial Sensitivity Relief**	**Financial Effects Relief**
All paragraphs with respect to climate-related opportunities			✓[32]	
Identification of climate-related risks and opportunities	✓[33]			
Determination of the scope of the value chain	✓[34]			
Quantification of current and anticipated financial effects		✓[35] (anticipated financial effects only)		✓[36]
Preparation of disclosures on anticipated financial effects	✓[37]	✓[37]		
Use of climate-related scenario analysis	✓[38]	✓[38]		
Measurement approach, inputs and assumptions of Scope 3 GHG emissions	✓[39]			
Calculation of metrics in particular cross-industry metric categories[40]	✓[41]			

[31] See paragraph 16 of Appendix C2.

[32] See note 2 to paragraph 20 of Appendix C2.

[33] See note 1(a) to paragraph 20 of Appendix C2.

[34] See note to paragraph 21 of Appendix C2.

[35] See note 4 to paragraph 25 of Appendix C2.

[36] See notes 3 and 5 to paragraph 25 of Appendix C2.

[37] See note 2 to paragraph 25 of Appendix C2.

[38] See note to paragraph 26 of Appendix C2.

[39] See note 1 to paragraph 29 of Appendix C2.

[40] Cross-industry metrics in respect of climate-related transition risks, climate-related physical risks and climate-related opportunities.

[41] See note to paragraph 32 of Appendix C2.

71. Under our "comply or explain" regime, issuers must provide considered reasons for non-disclosure of required information. In addition, where an issuer has yet to disclose information required under any of the New Climate Requirements, regardless of whether an issuer has (i) opted to "explain" why it has not made a particular disclosure or (ii) chosen to apply an implementation relief available under the Rules (whether it is required to report on a mandatory or "comply or explain" basis), it is encouraged to provide information on its work plan, progress and timetable for making the required disclosure. We will reflect this in the ESG Code accordingly[42].

72. The New Climate Requirements serve as an interim step towards adoption of HK Standards, and the purpose of requiring climate reporting on a "comply or explain" basis only is to provide issuers with more time to prepare to make such disclosures. We urge issuers to disclose information required by under each of the "comply or explain" provisions to the extent possible. It is vital that issuers kick start the process to identify gaps in their current systems as soon as possible to help prepare themselves for the eventual climate reporting in accordance with the HK Standards.

73. We will continue to monitor issuers' climate-related disclosures and the progress of development of the local sustainability disclosure ecosystem. We will consider whether and how to mandate climate-related disclosures for all listed issuers when we consult the market on the adoption of the HK Standards.

(A) Governance

Introducing new climate-related governance disclosures (question 2)

74. We proposed to introduce new governance disclosures focusing on climate-related issues and the roles of the board and its committees, as well as management[43]. Existing ESG governance disclosures[44] will remain in place in respect of all ESG matters.

Comments received

75. 93% of the respondents supported our proposal and 7% opposed it.

76. Most respondents agreed that the new governance disclosures would help focus the board and management's attention on ESG and climate matters and integrate them into the issuer's overall corporate strategy. Investors are increasingly attributing value to comprehensive and meaningful disclosure of climate governance information. The enhanced disclosures will enable investors to assess an issuer's commitment to addressing climate-related impacts.

77. Some respondents called for the Exchange to align the final Rules more closely with the ISSB Climate Standard, and observed that the new disclosures seem to duplicate the existing governance disclosures in Part B of the ESG Code[45].

78. Some respondents sought clarification as to whether issuers may structure their

[42] See paragraph 16 of Appendix C2

[43] See paragraphs 48 and 49 of the Consultation Paper.

[44] See paragraph 13 of Appendix C2.

[45] See paragraph 13 of Appendix C2.

governance and management to address sustainability-related issues (including climate) in an integrated manner to avoid duplicated governance disclosures under the existing governance requirements.

Our response and conclusion

79. Many respondents were supportive of disclosures on climate-related governance, which allow investors and stakeholders to evaluate whether significant climate-related risks and opportunities have received appropriate board and management attention.

80. We will adopt the proposal, with revised wording to mirror the ISSB Climate Standard more closely[46]. We agree that issuers should avoid duplicative disclosures, therefore we will clarify that where an issuer manages its ESG-related (including climate-related) risks and opportunities on an integrated basis, it should provide *one set of* integrated governance disclosures that complies with the disclosure requirements under both paragraphs 13 and 19 of the ESG Code[47].

81. To enhance accountability and transparency, issuers should set out the responsibilities of the governance body(s) or individual(s) responsible for oversight of climate-related risks and opportunities in their applicable terms of reference, mandates, role descriptions or other related policies. We will also reflect this by way of a note to the Rules[48].

(B) Strategy

I. Climate-related risks and opportunities

Disclosure of climate-related risks (question 3)

82. We proposed to require disclosure of the issuer's assessment of any climate-related risks reasonably likely to have a material effect on its business model, strategy and cash flows, its access to finance and its cost of capital, which may manifest in the short, medium or long term[49].

Comments received

83. 92% of the respondents supported our proposal and 8% opposed it.

84. Respondents who supported the proposal agreed that climate-related risks disclosure is core to understanding broader business decision-making on climate-related matters, and would assist investors in their investment and voting decisions. There were also calls for further alignment with the ISSB Climate Standard.

85. On the other hand, there were concerns that the disclosure requirement may incentivize issuers to disclose an overly extensive range of potential climate-related risks to avoid

[46] See paragraph 19 of Appendix C2.

[47] See note to paragraph 19 of Appendix C2.

[48] See note to paragraph 19(a) of Appendix C2.

[49] See paragraphs 55 to 57 and 59 of the Consultation Paper.

undesired implications in the event that their actual climate-related impacts arise from risks that had not been previously disclosed. Some respondents requested further guidance on the scope and breadth of the proposed disclosures, especially in view of challenges associated with providing disclosures about the value chain given the potentially complex interconnections involved.

Our response and conclusion

86. It is important for issuers to identify their material climate-related risks and provide specific disclosures on them to enable investors and stakeholders to make a more informed risk assessment for the purpose of their investment and voting decisions. Identifying material climate-related risks would also help management consider whether any adjustments should be made to the issuer's business model and development plan, therefore contributing to the sustainable growth of the issuer.

87. We will adopt the proposal, with the following modifications:

    (a) in line with the ISSB Climate Standard, we will require disclosure of any climate-related risks that could "reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term"[50]. We will also encourage issuers to refer to and consider the applicability of industry-based disclosure topics defined in IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures when identifying climate-related risks[51];

    (b) in response to calls for wider alignment with the ISSB Climate Standard, we will require disclosure of the impact on the issuer's "business model and value chain", together with a description of where in the issuer's business model and value chain such risks and opportunities are concentrated[52]. We will also clarify the definition of "value chain" in the Implementation Guidance; and

    (c) to address respondents' concerns over difficulties in making the relevant disclosures, we will make the Reasonable Information Relief available for issuers to identify their climate-related risks[53] and to determine the scope of their value chain[54].

88. The Reasonable Information Relief has two limbs: (a) reasonable and supportable information and (b) without undue cost or effort. The concept of "reasonable and supportable information" guides issuers to consider information that is reasonably available and clarifies that they need not carry out an exhaustive search for information. The concept of "undue cost or effort" serves to ensure that what is required of issuers is proportionate to their circumstances. The Implementation Guidance will further discuss and provide examples to facilitate issuers' understanding of the relief.

[50] See paragraph 20(a) of Appendix C2.

[51] See note 1(b) to paragraph 20 of Appendix C2.

[52] See paragraph 21 of Appendix C2.

[53] See note 1 to paragraph 20 of Appendix C2.

[54] See note to paragraph 21 of Appendix C2.

<u>Disclosure of climate-related opportunities (question 4)</u>

89. We also proposed that issuers may opt to disclose the actual and potential effects of climate-related opportunities identified in response to climate-related risks disclosed[55].

Comments received

90. 83% of the respondents supported our proposal and 17% opposed it.

91. Respondents who supported the proposal believed that it would encourage issuers to identify climate-related opportunities and consider how to capitalise on such opportunities. As a starting point, it would be reasonable to allow optional disclosure of climate-related opportunities, given that converting risks into opportunities may require more advanced knowledge and capabilities in terms of risk management.

92. On the other hand, there were calls to align with the approach taken by the ISSB Standards and require mandatory disclosure of climate-related opportunities. Some respondents were of the view that climate-related risks and opportunities should be considered together, and it would be incomplete to allow optional disclosure of climate-related opportunities, which may discourage issuers who have considered and assessed their climate-related opportunities from disclosing them.

93. Other respondents noted that some flexibility may be required given that potential opportunities may involve confidential and commercially sensitive information (for example, strategic business planning considerations), and were of the view that disclosure of detailed forward-looking information should not be required.

94. There were calls to clarify that climate-related opportunities are not necessarily identified in response to climate-related risks. Some respondents observed that climate-related opportunities could be any that are identified by an issuer. Some respondents also commented that once an issuer has identified and disclosed climate-related opportunities, it should be required to make all other disclosures under the New Climate Requirements that are relevant to these opportunities. They thought that issuers should not pick and choose which disclosure requirement to comply with in respect of their identified climate-related opportunities.

Our response and conclusion

95. We acknowledge the views that risks and opportunities are often, but not always, “two sides of the same coin” that should be considered together. We also note the practical challenges faced by issuers and their requests for more time and flexibility to prepare the relevant disclosures. Therefore, we will adopt the proposal with the following modifications:

    (a) require disclosure of climate-related opportunities (and information in respect of climate-related opportunities called for under the New Climate Requirements) subject to the Phased Approach[56];

[55] See paragraphs 58 and 59 of the Consultation Paper.

[56] See paragraphs 16 to 17 of Appendix C2.

(b) instead of requiring disclosure of climate-related opportunities identified "in response to climate-related risks" only, issuers would be required to disclose climate-related opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term[57]. We will also encourage issuers to refer to and consider the applicability of industry-based disclosure topics defined in IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures when identifying climate-related opportunities[58];

(c) require a description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated[59], with a view to enabling an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain;

(d) consistent with the treatment for identification of climate-related risks, we will make available the Reasonable Information Relief for the identification of climate-related opportunities[60]; and

(e) to address respondents' concerns on divulging confidential and commercially sensitive information, we will make available the Commercial Sensitivity Relief to exempt disclosure of information about a climate-related opportunity in limited circumstances where such information is commercially sensitive and not publicly available[61].

96. It is important to recognise that efforts to mitigate or adapt to climate change can create opportunities for issuers (for example, enhanced resource efficiency, development of new products and services, and access to new markets as a result of the transition to a lower carbon economy). The availability of the Reasonable Information Relief and the Commercial Sensitivity Relief will encourage issuers to consider and disclose any climate-related opportunities that they have identified.

Disclosure of cross-industry metrics and industry-based metrics when disclosing climate-related risks and opportunities (question 5)

97. We proposed that the issuer shall consider the applicability of and disclose certain cross-industry and industry-based metrics (for example, the amount and percentage of assets or business activities vulnerable to transition/physical risks) when making disclosure of climate-related risks and opportunities[62].

Comments received

98. 93% of the respondents supported our proposal and 7% opposed it.

99. Respondents who supported the proposal thought that referring to relevant metrics and

[57] See paragraph 20(a) of Appendix C2.

[58] See note 1(b) to paragraph 20 of Appendix C2.

[59] See paragraph 21(b) of Appendix C2.

[60] See note 1 to paragraph 20 of Appendix C2.

[61] See note 2 to paragraph 20 of Appendix C2.

[62] See paragraph 59 of the Consultation Paper.

targets when assessing climate-related risks and opportunities would make the climate assessment process more business-relevant and meaningful. Requiring issuers to disclose relevant metrics when disclosing climate-related risks and opportunities would also help investors and stakeholders understand the impact of risks or opportunity identified.

100. On the other hand, one respondent suggested that disclosure of cross-industry and industry-based metrics should be mandatory. Another suggested requiring issuers to disclose metrics (other than prescribed cross-industry and industry-based metrics) that the issuer's governance body uses to measure, monitor and manage climate-related risks and opportunities, where material.

Our response and conclusion

101. Both cross-industry metrics and industry-based metrics are common indicators to enable investors and stakeholders to assess an issuer's performance in relation to a particular climate-related risk or opportunity (e.g. progress towards any targets the issuer has set, and/or any targets it is required to meet by law or regulation).

102. Instead of disclosure on a standalone basis, disclosing metrics together with qualitative information regarding a climate-related risk or opportunity (e.g. disclose percentage of business activities or assets vulnerable to a climate-related risk when discussing the relevant climate-related risk) could provide insight into the company's exposure to the relevant climate-related risk or opportunity, thereby allowing a more thorough understanding of the risk or opportunity in question.

103. We will adopt the proposal to require issuers to refer to and consider the applicability of cross-industry metrics and industry-based metrics when preparing disclosures on climate-related risks and opportunities.[63]

104. Under the New Climate Requirements, issuers are required to report on a number of cross-industry metrics[64] subject to the Phased Approach[65] (see discussion in paragraphs 176 to 232 below), and are encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics defined in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures[66] (see discussion in paragraphs 233 to 240 below).

II. Transition plans

<u>*Issuer's response to climate-related risks and opportunities (question 6)*</u>

105. We proposed to require disclosure of how an issuer is responding to identified climate-related risks and, where applicable, any identified climate-related opportunities, including (i) current or anticipated changes to the issuer's business model, strategy and resource allocation; (ii) adaption and mitigation efforts; and (iii) how these plans will be

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[63] See paragraph 41 of Appendix C2. Issuers shall also refer to and consider the applicability of cross-industry metrics and industry-based metrics when preparing disclosures pursuant to provisions under the "Strategy" and "Metrics and Targets" pillars of Part D of the ESG Code.

[64] See paragraphs 28 to 35 of Appendix C2.

[65] See paragraphs 16 and 17 of Appendix C2.

[66] See paragraph 36 of Appendix C2.

resourced[67].

Comments received

106. 93% of the respondents agreed with our proposal and 7% did not.

107. Respondents who welcomed the proposal agreed that it is important for issuers to formulate proper responses to climate-related risks and opportunities through well-considered transition plans. Both adaptation and mitigation are important limbs of a well-considered transition plan and stakeholders will benefit from clear communication of an issuer's response and actions.

108. There was a suggestion to require disclosure of how the issuer is responding to climate-related opportunities to enable investors to fully assess the issuer's climate-related strategy.

Our response and conclusion

109. Respondents generally agreed that adequate disclosure of an issuer's response to climate-related risks and opportunities enables investors and stakeholders to understand the issuer's efforts and plans to manage the effects of climate change, which in turn helps them evaluate the credibility and feasibility of the issuer's climate change commitments.

110. As our issuers are at varying stages of their sustainability journey, not all of them have a full-blown climate-related transition plan. This is an overall strategic plan that lays out the company's targets, actions or resources for its transition to a lower-carbon economy (such as actions to reduce its greenhouse gas emissions).

111. We will clarify in the Rules that issuers are required to disclose their response to climate-related risks and opportunities identified, which may take the form of current and anticipated changes to the business model and resource allocation, adaptation and mitigation efforts, as well as the issuer's plans to achieve any climate-related targets. Nonetheless, where an issuer does have a climate-related transition plan, it should disclose that plan in its ESG report.

112. We will adopt the proposal, with the following modifications to mirror the ISSB Climate Standard more closely:

    (a) we will require disclosure of how an issuer has responded to, and plans to respond to, any climate-related risks and opportunities in its strategy and decision-making[68];

    (b) we will change the heading of this section from "Transition plans" to "Strategy and decision-making";

[67] See paragraphs 69 and 70 of the Consultation Paper.

[68] See paragraph 22(a) of Appendix C2.

(c) we will require disclosure of any climate-related transition plan that the issuer has (including information about the key assumptions used in developing its transition plan and the dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have such a plan[69]; and

(d) we will require disclosure of the issuer's plans to achieve any climate-related targets disclosed[70].

113. In relation to the disclosure of a climate-related transition plan, as an issuer is allowed to make an appropriate negative statement where it does not have such a plan, this requirement would not impose an undue burden on an issuer. As for the disclosure of an issuer's plans to achieve any climate-related targets disclosed, since an issuer will be required to disclose its progress towards targets set in its future ESG reports[71], it follows that an issuer will need to have plans to achieve any targets it sets. Therefore, we believe disclosure of such plans should not be an issue.

Disclosure of climate-related targets (question 7)

114. We proposed to require disclosure of any climate-related targets set by the issuer and any GHG emissions targets it is required to meet by local legislation[72]. Where carbon credits are intended to be applied towards GHG emissions targets, the issuer should disclose information regarding such intended use, its gross GHG emissions targets and its net GHG emissions targets separately. For the avoidance of doubt, climate-related targets under the New Climate Requirements may or may not be those required in Part C of the ESG Code [73], and issuers are still required to disclose those targets on a "comply or explain" basis.

Alternative disclosure for climate-related targets (question 8)

115. Recognising that our issuers are at different stages of their sustainability journey and that some issuers may require more time to set meaningful climate-related targets, we proposed that where the issuer has yet to disclose the required information in relation to climate-related targets, it should disclose its work plan, progress and timetable for setting and disclosing climate-related targets instead[74].

Comments received

116. 93% of the respondents supported our proposal to require disclosure of climate-related targets set and 7% of opposed it. 86% of the respondents supported our proposal for alternative disclosure where an issuer has yet to set any climate-related targets and 14% opposed it.

117. Most respondents agreed that climate-related targets are an important aspect of an

[69] See paragraph 22(a)(iii) of Appendix C2.

[70] See paragraph 22(a)(iv) of Appendix C2.

[71] See paragraph 39 of Appendix C2.

[72] See paragraphs 71 to 76 of the Consultation Paper.

[73] i.e. KPIs A1.5 (emission targets), A1.6 (waste reduction targets), A2.3 (energy use efficiency targets) and A2.4 (water efficiency targets). See note to paragraph 37 of Appendix C2.

[74] See paragraphs 77 to 78 of the Consultation Paper.

issuer's overall climate action strategy and plans. Requiring disclosure of climate-related targets would enable investors to assess the credibility and ambition of the issuer's strategy and plans. The proposal would also drive a more robust approach to climate target setting.

118. On the other hand, there were concerns that the proposal would be unduly onerous given that many issuers may not have a work plan or timetable for setting climate-related targets. Some respondents questioned whether it would be appropriate or necessary for issuers whose exposure to climate change is low to set climate-related targets. They were of the view that the board should have absolute discretion to decide whether this is necessary. As a safeguard, such issuers could be required to commit to assessing their climate-related risks and opportunities on a regular basis to determine whether they need to set climate-related targets.

119. Supportive respondents were of the view that the proposed alternative disclosure recognises that issuers are at different stages of their sustainability journey, and such flexible treatment would provide issuers with more time to prepare higher quality disclosures, while ensuring that the setting and disclosure of climate-related targets remains on their sustainability agenda. There were also suggestions to impose a definitive period for applicability of the alternative disclosure, as issuers should not avoid setting climate-related targets in the long term.

Our response and conclusion

120. Setting climate-related targets enables issuers to visualise their climate-related goals. The disclosure requirements relating to climate-related targets ensure such targets will be factored into management's decision-making process and periodically re-evaluated, which serves to guide the issuer's sustainable development.

121. We will adopt the proposal to disclose climate-related targets, with the following modifications to mirror the ISSB Climate Standard more closely:

(a) the requirements for climate-related targets will be relocated under the "Metrics and Targets" pillar[75];

(b) for completeness, issuers are required to disclose any targets (instead of only GHG emissions targets) they are required to meet by law or regulation[76];

(c) in relation to any climate-related targets set, we will require disclosure of:

(i) whether the climate-related target set was (1) informed by the latest international agreement on climate change[77], or (2) derived using a sectoral decarbonisation approach[78], in order to provide further information as to how climate-related targets are set;

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[75] See paragraphs 37 to 40 of Appendix C2.

[76] See paragraph 37 of Appendix C2.

[77] See paragraph 37(h) of Appendix C2.

[78] See paragraph 40(d) of Appendix C2.

(ii) (1) whether the target and methodology for setting the target has been validated by a third party, (2) the processes used by the issuer for reviewing the target, (3) the metrics used to monitor progress towards reaching the target, and (4) any revisions to the target (with an explanation for such revisions) [79], in order to enhance transparency on the issuer's review and monitoring of climate-related targets set;

(iii) an analysis of trends or changes in the issuer's performance against each climate-related target[80]; and

(iv) any other factors necessary to understand the credibility and integrity of the carbon credits that the issuer plans to use to offset GHG emissions to achieve any net GHG emissions target (for example, assumptions regarding the permanence of the carbon offset) [81], to ensure that disclosures of GHG emissions targets set are meaningful and useful.

122. Under the "comply or explain" regime, issuers must provide considered reasons if they have yet to disclose information required, and we further encourage issuers to provide information on the work plan, progress and timetable for making the required disclosure, where applicable[82]. We will therefore remove the proposed alternative disclosures (as summarised in paragraph 115 above) to avoid duplication.

123. The disclosures set out in sub-paragraphs 121(b) and (c) above are fundamental elements of climate-related targets, and any targets set and disclosed without considering these elements would not serve the purpose of providing meaningful information to the issuer, let alone investors and stakeholders.

124. We also understand that in practice, such underlying information should be readily available to issuers who have set climate-related targets and these additional disclosure requirements would not impose an undue compliance burden on issuers. Since most issuers will be reporting on the New Climate Requirements on a "comply or explain" basis, any issuer who has yet to fully comply with the disclosure requirement may opt to provide considered reasons for non-disclosure.

Progress of plans disclosed (question 9)

125. We proposed to require that issuers disclose their progress made in the most recent reporting year in respect of transitions plans disclosed[83]. Issuers will not be required to make this disclosure in their ESG reports covering the first reporting period following the effective date of the new Rules.

Comments received

126. 91% of the respondents supported our proposal and 9% opposed it.

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[79] See paragraph 38 of Appendix C2.

[80] See paragraph 39 of Appendix C2.

[81] See paragraph 40(e)(iv) of Appendix C2.

[82] See paragraph 16 to Appendix C2.

[83] See paragraphs 79 to 80 of the Consultation Paper.

127. A majority of respondents agreed that disclosure of progress made allows investors and stakeholders to assess an issuer's credibility in implementing its planned responses (e.g. changes in its business model or adaption / mitigation efforts), and enables investors to monitor an issuer's progress in addressing climate-related risks and opportunities. Opposing respondents noted that this requirement may be onerous as many issuers may not have transition plans in place.

128. There was a suggestion to require more frequent updates from issuers in the event of significant changes in laws, regulations or business drivers. On the other hand, one respondent commented that a yearly report on progress may be too frequent, as transition plans often involve significant changes to the business model, strategy and resource allocation, hence more time may be needed for changes to become apparent.

Our response and conclusion

129. An annual update of progress made towards implementation of planned responses and achievement of climate-related targets enables management to assess the effectiveness of its plans and consider adjustments where appropriate. At the same time, such disclosure allows investors and stakeholders to track and monitor the issuer's progress.

130. We will adopt the proposal with the following modifications to mirror the ISSB Climate Standard more closely:

(a) disclosure of progress made in respect of the implementation of any plans to respond to climate-related risks and opportunities will be required under the "Strategy" pillar[84];

(b) disclosure of information about the issuer's performance against each climate-related targets and an analysis of trends or changes in the issuer's performance will be required under the "Metrics and Targets" pillar[85]; and

(c) we will remove the statement that issuers need not make disclosures in accordance with this provision for their first reporting period.

III. Climate resilience

Discussion of the issuer's climate resilience (question 10)

131. We proposed to require discussion of the resilience of the issuer's strategy (including its business model) and operations to climate-related changes, developments or uncertainties[86].

Comments received

132. 91% of the respondents supported our proposal and 9% opposed it.

133. Most respondents were of the view that discussion of an issuer's climate resilience

[84] See paragraph 23 of Appendix C2.

[85] See paragraph 39 of Appendix C2.

[86] See paragraphs 84, 89 and 90 of the Consultation Paper.

would be useful for investors to assess the issuer's ability to respond to and withstand climate change, and to evaluate whether the issuer's business model is sustainable amidst associated uncertainties. This may also help reveal any potential gaps in the issuer's approach, thereby enabling it to strengthen its strategy.

134. Some respondents were of the view that the proposed requirement would be challenging, as assessment of climate resilience involves a certain degree of judgment. There were concerns that not all issuers would have the requisite knowledge, resources and capacity to make such an assessment.

Our response and conclusion

135. Given the complexities and uncertainties around how climate-related risks and opportunities may affect issuers, investors and stakeholders need information to understand the resilience of an issuer's strategy and business model to climate change. Disclosure of the issuer's assessment of its climate resilience should cover the implications for its strategy and business model, the significant areas of uncertainty and the issuer's capacity to adjust or adapt its strategy and business model.

136. We will adopt the proposal, with revised wording to mirror the ISSB Climate Standard more closely. We will also clarify that in disclosing quantitative information, issuers may disclose a single amount or a range[87].

<u>*Climate-related scenario analysis (question 11)*</u>

137. We proposed requiring issuers to conduct a climate-related scenario analysis that is commensurate with the issuer's circumstances[88] to assess the effect of climate-related risks and opportunities (where applicable) on its business model, strategy and cash flows, its access to finance and its cost of capital, and the resilience of its strategy and business model, and disclose the inputs used and how such analysis has been conducted.

Comments received

138. 89% of the respondents supported our proposal and 11% opposed it.

139. Supportive respondents considered climate-related scenario analysis to be a powerful tool enabling issuers and investors to understand how climate-related events and their associated risks and opportunities may impact the issuer's business model, strategy and financial performance over time. They also welcomed the pragmatic approach of enabling issuers to use a climate-related scenario analysis that is "commensurate with" their circumstances, as risks may vary depending on the issuer and its industry. Some respondents went further and suggested that issuers should consider at least three diverse climate-related scenarios in their analysis.

140. On the other hand, there were concerns that conducting a climate-related scenario analysis would be a challenging exercise for less-resourced issuers. Given the lack of a common agreed methodology to conduct climate-related scenario analysis, some respondents questioned the comparability of scenarios. Other respondents suggested

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[87] See paragraph 26 of Appendix C2.

[88] See paragraphs 85, 86, 89 and 90 of the Consultation Paper.

incorporating the ISSB Proportionality Reliefs to allow an issuer to determine an approach to climate-related scenario analysis based on its "available skills, capabilities and resources".

Our response and conclusion

141. Allowing issuers to select a method of scenario analysis that is "commensurate with their circumstances" enables an issuer to start with qualitative scenario narratives or storylines to explore the potential range of climate change implications. As the issuer gains experience, it should start using quantitative information to illustrate potential pathways and outcomes. An issuer's skills and capabilities, as well as disclosures, would be strengthened over time through a process of learning and iteration. The sooner an issuer incorporates climate-related scenario analysis into its climate resilience assessment, the sooner it will be able to strengthen and refine its approach, which would in turn improve its responses to climate-related risks and opportunities. Ultimately, an issuer should be able to master rigorous data sets and quantitative models when conducting their climate-related scenario analysis.

142. To address respondents' concerns over the practical challenges of conducting a climate-related scenario analysis, we will adopt the proposal, with the following modifications:

(a) we will make the Reasonable Information Relief available for an issuer to determine its approach to climate-related scenario analysis. Such determination shall further be subject to the Capabilities Relief (i.e. informed by the assessments of an issuer's exposure to climate-related risks and opportunities, as well as its available skills, capabilities and resources)[89];

(b) in line with the ISSB Climate Standard, we will require disclosure of (i) whether the analysis included a diverse range of climate-related scenarios[90] and (ii) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change[91]; and

(c) to clarify that a climate-related scenario analysis (i) is not required to be conducted every year and (ii) may not cover all of the issuer's operations and business units, we will require disclosure of the reporting year in which the climate-related scenario analysis was conducted[92] and the scope of operations (e.g. operation locations and business units) covered by such analysis[93].

143. Information underlying the disclosure requirements set out in sub-paragraphs 142(b) and (c) above should be readily available to issuers who have conducted a climate-related scenario analysis. To facilitate comparison by investors and stakeholders, the Implementation Guidance will include (i) a recommendation that issuers should select scenarios with high contrast[94] to provide diversity in pathways and outcomes, and (ii)

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[89] See note to paragraph 26 of Appendix C2.

[90] See paragraph 26(b)(i)(2) of Appendix C2.

[91] See paragraph 26(b)(i)(4) of Appendix C2.

[92] See paragraph 26(b)(iii) of Appendix C2.

[93] See paragraph 26(b)(i)(7) of Appendix C2.

[94] For example, a 1.5 degrees Celsius scenario (which is aligned with the latest international agreement on climate change) and a 3 degrees Celsius or greater scenario.

guidance on factors to be considered when selecting sources of scenarios.

IV. Financial effects of climate-related risks and opportunities

Disclosure of current financial effects (question 12)

144. We proposed to require disclosure and, where material, quantification of the current financial effects of climate-related risks and, where applicable, climate-related opportunities[95].

Interim provision regarding disclosure of current financial effects (question 13)

145. We proposed that during the Interim Period, where the issuer has yet to provide the required quantitative disclosures on current financial effects, it should provide qualitative interim disclosures[96].

Comments received

146. 78% of the respondents supported our proposal to require quantitative disclosure of current financial effects and 22% opposed it.

147. Respondents who supported the proposal commented that the time is ripe for issuers to start the process towards the quantification of financial impacts. A number of respondents called for the incorporation of applicable ISSB Proportionality Reliefs. Respondents also emphasized the importance of having sufficient capacity building for accountants, lawyers and other advisers to facilitate compliance. Some respondents sought clarification as to whether the disclosures on climate-related financial effects should be included in an issuer's ESG report or in its financial statements.

148. On the other hand, opposing respondents were concerned that the proposal would impose a heavy reporting burden on issuers. Their major concerns include the difficulty and lack of capability in isolating and quantifying climate-related financial effects, ensuring accuracy of disclosure, as well as the risks of reporting on financial effects given the lack of a common methodology.

Interim provision

149. 80% of the respondents supported our proposal and 20% opposed it. Generally, the interim provision was considered to have met investors' demand for enhanced transparency while providing issuers with more time to step up their internal procedures and systems for additional disclosures. There were calls for a longer interim period, or to maintain the interim provision beyond two years for issuers for whose climate-related risks are not material.

150. One respondent mentioned that relevant accounting standards already provide a mechanism for issuers to disclose material climate-related matters that cannot be quantified in a qualitative manner. As such, the interim provision is redundant and unnecessary.

[95] See paragraphs 93 to 95 of the Consultation Paper.

[96] See paragraphs 93 to 95 of the Consultation Paper.

Our response and conclusion

151. Disclosure of the financial effects of climate-related risks and opportunities enables investors and stakeholders to better assess an issuer's sustainability capability and financial prospects, and to make more informed decisions. We will adopt the proposal, with the following modifications:

   (a) in disclosing current financial effects, issuers are required to disclose both quantitative and qualitative information[97], and quantitative information may be expressed in a single amount or a range[98].

   (b) to address concerns over the practical challenges of quantifying climate-related financial effects, we will make the Financial Effects Relief available[99] so that issuers need not provide quantitative information about the current financial effects of a climate-related risk or opportunity where certain conditions are met; and

   (c) in line with the ISSB Climate Standard, where an issuer takes advantage of the Financial Effects Relief, it will be required to (i) explain why it has not provided quantitative information; (ii) provide qualitative information about the relevant financial effects; and (iii) provide quantitative information about the combined financial effects of the relevant climate-related risk or opportunity with other climate-related risks or opportunities[100].

152. Disclosures on climate-related financial effects should be included in an issuer's ESG report. Where the effect of climate-related risks or opportunities is material, such an effect should also be accounted for in financial statements prepared in accordance with the relevant accounting standards[101]. Issuers should also consider disclosing such climate-related financial effects in their annual reports[102] in addition to the ESG report. Where applicable, issuers may cross-refer to relevant information disclosed in their financial statements.

Interim provision

153. As the Financial Effects Relief affords issuers the flexibility to make qualitative instead of quantitative disclosures under certain circumstances, we will remove the proposed interim provision from the final Rules.

<u>Disclosure of anticipated financial effects (question 14)</u>

154. We proposed to require qualitative disclosure of the anticipated financial effects of climate-related risks and, where applicable, climate-related opportunities on the issuer's financial position, financial performance and cash flows over the short, medium and long

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[97] See paragraph 24 of Appendix C2.

[98] See note 1 to paragraph 25 of Appendix C2.

[99] See note 3 to paragraph 25 of Appendix C2.

[100] See note 5 to paragraph 25 of Appendix C2.

[101] See note 1 to paragraph 24 of Appendix C2.

[102] For example, in the management commentary, the "Business Review" section of the Directors' Report or the "Management Discussion and Analysis" section of the annual report.

term[103].

Interim provision regarding disclosure of anticipated financial effects (question 15)

155. To provide more time for issuers to build models for analysing anticipated financial impacts, we proposed that during the Interim Period, where the issuer has yet to provide the required disclosures on anticipated financial effects, it should disclose: (i) information, to the extent reasonably available, that may enable investors to understand the aspects of the financial statements that are most affected; and (ii) the work plan, progress and timetable for making the required disclosure[104].

Comments received

156. 80% of the respondents supported our proposal to require qualitative disclosure of anticipated financial effects and 20% opposed it.

157. Those who agreed with the proposal were of the view that disclosure of both current and anticipated financial effects associated with climate change would enable investors to better assess an issuer's financial prospects and sustainability.

158. Some supportive respondents recognised that qualitative disclosure of anticipated financial effects may still be challenging for issuers. As a result, they called for the incorporation of applicable ISSB Proportionality Reliefs into the ESG Code to give issuers more comfort in making their relevant disclosures.

159. Opposing respondents expressed concerns over the uncertainties and potential commercial sensitivities involved in disclosing anticipated financial effects, and whether the disclosures would amount to forward-looking statements. Others cited difficulties in ensuring accuracy of information disclosed and concerns over potential liability for inaccurate disclosures. These respondents believed that disclosure of anticipated financial effects should be optional at this stage.

Interim provision

160. 86% of the respondents supported our proposal and 14% opposed it. Some respondents suggested that issuers should explain why they are unable to provide the required disclosures. Others recommended a longer interim period, or to maintain the interim provision beyond two years for issuers for whose climate-related risks are not material.

Our response and conclusion

161. The original proposal to only require qualitative disclosure for anticipated financial effects was intended to provide issuers with more time to build projection models and strengthen the reliability of their assumptions and forecasts.

162. We note that the ISSB Climate Standard affords companies the Financial Effects Relief, the Reasonable Information Relief and the Capabilities Relief in relation to the preparation of disclosures about anticipated financial effects. In addition, under the

[103] See paragraphs 93, 97 to 99 of the Consultation Paper.

[104] See paragraphs 93, 97 to 99 of the Consultation Paper.

ISSB Climate Standard, an entity need not provide quantitative information about the anticipated financial effects of climate-related risk or opportunity if it does not have the skills, capabilities or resources to provide that quantitative information. Furthermore, in view of the Phased Approach, most issuers will be reporting on the provision on a "comply or explain" basis only.

163. In light of the above, we will adopt the proposal, with the following modifications:

(a) in disclosing anticipated financial effects, issuers are required to disclose both quantitative and qualitative information[105], and quantitative information may be expressed in a single amount or a range[106];

(b) to address concerns over the practical challenges of quantifying climate-related financial effects, we will make the Financial Effects Relief available, so that issuers need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity where certain conditions are met. In line with the ISSB Climate Standard, where an issuer takes advantage of the Financial Effects Relief, it will be required to (i) explain why it has not provided quantitative information; (ii) provide qualitative information about the relevant financial effects; and (iii) provide quantitative information about the combined financial effects of the relevant climate-related risk or opportunity with other climate-related risks or opportunities[107]; and.

(c) make both the Reasonable Information Relief and the Capabilities Relief available for issuers making such disclosures[108]. In particular, where an issuer does not have the skills, capabilities or resources to provide that quantitative information about the anticipated financial effects of a climate-related risk or opportunity, it need not provide such information[109].

Interim provision

164. As various implementation reliefs are available to address issuers' concerns over data accuracy, we will remove the proposed interim provision from the final Rules.

(C) Risk management

<u>Disclosure on risk management process for climate-related risks (question 16)</u>

165. We proposed to require discussion of the process an issuer uses to identify, assess and manage climate-related risks[110].

[105] See paragraph 25 of Appendix C2.

[106] See note 1 to paragraph 25 of Appendix C2.

[107] See notes 3 and 5 to paragraph 25 of Appendix C2.

[108] See note 2 to paragraph 25 of Appendix C2.

[109] See note 4 to paragraph 25 of Appendix C2.

[110] See paragraphs 103 and 104 of the Consultation Paper.

Comments received

166. 94% of the respondents supported the proposal and 6% opposed it.

167. Most respondents agreed that disclosing details of the risk management process for climate-related risks would strengthen the credibility of the issuer's risk assessment output and provide valuable context and granularity for investors to understand how the issuer identifies, manages and mitigates its climate-related risks.

168. On the other hand, a few respondents expressed concern that the proposed disclosures may be too complex for small- and medium-sized issuers, who may not have the resources to comply, or whose risk management processes may be relatively simple.

Our response and conclusion

169. We will adopt the proposal, with the following modifications;

(a) to provide further information about the factors considered by the issuer, we will require disclosure of the inputs and parameters an issuer uses to identify, assess, prioritise and monitor climate-related risks[111];

(b) to understand the maturity of an issuer's risk identification process as well as climate-related scenario analysis, we will require disclosure of whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks[112];

(c) to avoid duplicative disclosures, we will clarify that where an issuer manages its ESG-related (including climate-related) risks on an integrated basis, it should provide one set of integrated risk management disclosures that complies with the relevant disclosure requirements under both Parts B[113] and D[114] of the ESG Code[115].

Disclosure on management process for climate-related opportunities (question 17)

170. Consistent with our approach towards climate-related opportunities, we proposed that an issuer may disclose, if it opts to, the process used to identify, assess and manage climate-related opportunities[116].

Comments received

171. 85% of the respondents supported the proposal and 15% opposed it.

172. Supportive respondents agreed that where an issuer chooses to disclose climate-related opportunities, it should also disclose the process used to identify, assess and manage

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[111] See paragraph 27(a)(i) of Appendix C2.

[112] See paragraph 27(a)(ii) of Appendix C2.

[113] See paragraphs 13(ii) and 14 (Materiality) of Appendix C2.

[114] See paragraph 27 of Appendix C2.

[115] See note to paragraph 27 of Appendix C2.

[116] See paragraphs 103 and 104 of the Consultation Paper.

such opportunities. Such information would be helpful to investors.

173. Respondents who opposed the proposal believed that the disclosure of climate-related opportunities, as well as the management process used to identify, assess and manage them, should be mandatory in line with the ISSB Standards. One respondent commented that optional disclosure may discourage issuers from systematically thinking through the identification of climate-related opportunities, from which "lightbulb" moments may occur.

Our response and conclusion

174. We note the market feedback, including calls for mandatory disclosure of climate-related opportunities in line with the ISSB Standards. Consistent with the treatment for disclosure of climate-related opportunities, we will adopt the proposal, with revised wording to mirror the ISSB Climate Standard more closely, and require disclosure of the processes an issuer uses to identify, assess, prioritise and monitor climate-related opportunities[117]. For the avoidance of doubt, disclosure should be made subject to the Phased Approach.

175. While most issuers are required to make disclosures on a "comply or explain" basis only, we urge issuers who have identified and disclosed their climate-related opportunities[118] to also disclose the process used to identify, assess and manage climate-related opportunities to enhance transparency.

(D) Metrics and targets

I. Greenhouse gas emissions

Disclosure of scope 1, scope 2 and scope 3 GHG emissions (question 18)

176. We proposed to require, among other things, disclosure of scope 1, scope 2 and scope 3 GHG emissions as follows[119]:

    (a) For all three types of GHG emissions, absolute gross GHG emissions generated during the reporting period; and

    (b) In relation to scope 3 GHG emissions only, further details including the in-scope categories of significant upstream or downstream activities along the value chain and basis of selection.

    An issuer should apply either (i) the Greenhouse Gas Protocol[120]; or (ii) the protocol that the issuer is required to use by local legislation for measuring GHG emissions.

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[117] See paragraph 27(b) of Appendix C2.

[118] Pursuant to paragraph 20 of Appendix C2.

[119] See paragraphs 111 to 116 of the Consultation Paper.

[120] The Greenhouse Gas Protocol Initiative is a multi-stakeholder partnership of businesses, non-governmental organisations (NGOs), governments, and others convened by the World Resources Institute, a US-based environmental NGO, and the World Business Council for Sustainable Development, a Geneva-based coalition of 170 international companies. Launched in 1998, the initiative's mission is to develop internationally accepted greenhouse gas accounting and reporting standards for business and to promote their broad adoption.

Interim provision regarding disclosure of scope 3 GHG emissions (question 19)

177. In light of stakeholder concerns on the practical difficulties in data collection, and to provide more time for issuers to identify significant scope 3 activities within their value chain and build appropriate calculation models, we proposed that during the Interim Period, where an issuer has yet to disclose all the information in relation to scope 3 GHG emissions, it should disclose (i) information, to the extent reasonably available, that may enable investors to understand the issuer's relevant upstream or downstream activities along the value chain; and (ii) its work plan, progress and timetable for making the required disclosure[121].

Comments received

Scope 1 and scope 2 GHG emissions

178. 95% of the respondents supported the proposal and 5% opposed it. Many respondents considered the proposed disclosures for scope 1 and 2 GHG emissions a reasonable enhancement of the current disclosure requirements. They believed that issuers should have accumulated relevant knowledge and developed the capacity to disclose scope 1 and 2 GHG emissions on a mandatory basis, as they have been required to disclose such information on a "comply or explain" basis since 2016. Only a few respondents expressed difficulty in complying with the proposed disclosures.

Scope 3 GHG emissions

179. 78% of the respondents supported the proposal and 22% opposed it.

180. Supportive respondents commented that there is limited information regarding scope 3 GHG emissions, which often represent a large portion of corporate-related emissions. Improved transparency would allow investors to assess an issuer's climate-related risks in a more accurate manner. Some respondents suggested further alignment with the ISSB Climate Standard, for example, by prescribing the application of the Greenhouse Gas Protocol and incorporating applicable ISSB Proportionality Reliefs.

181. On the other hand, there were concerns over the practicality and feasibility of reporting on scope 3 GHG emissions. A number of issuers that responded cited challenges in terms of the collection and verification of data, which may give rise to inaccurate or unreliable disclosure. Some respondents suggested that issuers should only be required to report on indirect emissions in respect of value chain entities over which they are able to exert a degree of influence.

Interim provision

182. 86% of the respondents supported the proposed interim provision for disclosure of scope 3 GHG emissions and 14% opposed it.

183. While there was broad support, some respondents called for a longer interim period. There was a suggestion that the interim disclosure should include relevant information about an issuer's upstream or downstream activities along its value chain so that investors and stakeholders may gain insights into the issuer's value chain emissions and identify the carbon intensive components. There was also a request to clarify the

[121] See paragraphs 111 to 116 and 118 of the Consultation Paper.

meaning of “information to the extent reasonably available”.

Our response and conclusion

Scope 1 and scope 2 GHG emissions

184. Disclosure of scope 3 GHG emissions relies on the availability of scope 1 and scope 2 GHG emissions figures from one’s value chain entities. Accordingly, it is important to enhance the overall availability of scope 1 and scope 2 GHG emissions data in the market. In our latest review of issuers’ 2022 ESG reports, we note that over 90% of our issuers have already disclosed their scope 1 and scope 2 GHG emissions, notwithstanding that the relevant disclosure requirement is a “comply or explain” provision only.

185. We will adopt the proposal, with the following modifications:

    (a) all listed issuers (i.e. both Main Board listed issuers and GEM listed issuers) are required to disclose scope 1 and scope 2 GHG emissions on a mandatory basis[122] in respect of financial years commencing on or after 1 January 2025;

    (b) in measuring GHG emissions, issuers are required to use the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method, to mirror the wording of the ISSB Climate Standard[123];

    (c) issuers are required to disclose the measurement approach, inputs and assumptions used to measure GHG emissions[124]; and

    (d) in disclosing scope 2 GHG emissions, issuers should use the location-based method and provide information about any contractual instruments that is necessary to enable an understanding of their scope 2 GHG emissions[125].

186. Requiring all listed issuers to take the lead in disclosing scope 1 and scope 2 GHG emissions on a mandatory basis would increase the overall transparency and availability of GHG emissions data in the market, thereby facilitating the disclosure of scope 3 GHG emissions data by a wider population as the next step. In the Implementation Guidance, we will provide guidance regarding the calculation of scope 2 GHG emissions using the location-based method.

Scope 3 GHG emissions

187. We note the majority support for the proposals, as well as calls for further clarity and alignment with the ISSB Climate Standard. We will adopt the proposal, with the following modifications:

[122] See paragraphs 16 and 17 of Appendix C2.

[123] See paragraph 29(a) of Appendix C2.

[124] See paragraph 29(b) of Appendix C2.

[125] See paragraph 29(c) of Appendix C2.

(a) acknowledging issuers' concerns over data collection and verification, we will make available the Reasonable Information Relief for the disclosure of scope 3 GHG emissions[126];

(b) as the issuer may have a different reporting period from some or all of its value chain entities, issuers may use information from a reporting period that is different from that of the issuer under specific circumstances[127]; and

(c) to align with international practices, we will clarify that an issuer should disclose the categories of scope 3 activities included within the issuer's measure of scope 3 GHG emissions in accordance with the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)[128].

For the avoidance of doubt, disclosure of scope 3 GHG emissions will be subject to the Phased Approach.

Interim provision

188. We note the majority support for the interim provisions. However, we believe that: (i) the adoption of the Phased Approach; and (ii) the availability of the Reasonable Information Relief are adequate to address issuers' concerns on reporting of scope 3 GHG emissions. Accordingly, we will remove the proposed interim provision from the final Rules.

189. We understand the challenges associated with reporting on scope 3 GHG emissions, such as the lack of knowledge of an issuer's upstream and downstream counterparties with GHG inventories and accounting, and we have included guidance to address these challenges in the Implementation Guidance. Sustainability is a journey, and so it will take time for issuers and their value chain entities to gain experience and knowledge in this area. We urge issuers to start identifying the carbon intensive activities along their value chain and engage with these value chain entities as soon as possible to raise their awareness of, and secure their support for, the New Climate Requirements.

II. Other cross-industry metrics

Disclosure of amount and percentage of assets or business activities vulnerable to transition risks (question 20)

190. We proposed to require disclosure of the amount and percentage of assets or business activities vulnerable to transition risk[129].

191. To provide more time for issuers to familiarise themselves with the calculation methodologies and explore ways to address their concerns on data accuracy and credibility, we also proposed that during the Interim Period, an issuer who has yet to make quantitative disclosures in respect of this metric should disclose: (i) a description

[126] See note 1 to paragraph 29 of Appendix C2.

[127] See note 2 to paragraph 29 of Appendix C2.

[128] See paragraph 29(d) of Appendix C2. For the avoidance of doubt, this shall not affect the issuer's application of a protocol (if so required by a jurisdictional authority or an exchange on which the entity is listed) other than the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) to measure its GHG emissions.

[129] See paragraph 121 of the Consultation Paper.

of the assets or business activities identified to be vulnerable to transition risks and (ii) the work plan, progress and timetable for making the required disclosure[130].

Disclosure of amount and percentage of assets or business activities vulnerable to physical risks (question 21)

192. We proposed to require disclosure of the amount and percentage of assets or business activities vulnerable to physical risks[131].

193. We also proposed that during the Interim Period, an issuer who has yet to make quantitative disclosures in respect of this metric should disclose: (i) a description of the assets or business activities identified to be vulnerable to physical risks; and (ii) the work plan, progress and timetable for making the required disclosure[132].

Comments received

194. 77% of the respondents supported the proposal to require disclosure regarding vulnerability to transition risks and 23% opposed it. Similarly, 77% of the respondents supported the proposal to require disclosure regarding vulnerability to physical risks and 23% opposed it.

195. Respondents who supported the proposals commented that these disclosures would help issuers develop a coherent climate-related business strategy, taking transition and physical risks into consideration. The disclosures allow investors to assess the extent to which an issuer may be vulnerable to climate change. There were also requests to clarify the meaning of "vulnerability" for the purpose of the proposed disclosures.

196. Respondents who opposed the proposals cited the challenges in terms of measurement, quantification and disclosure. There was a suggestion that disclosure should only be made where this is a relevant metric for the issuer's business. Some respondents suggested requiring qualitative disclosure given the high measurement uncertainty, or limiting the disclosure to material assets and business activities.

Interim period

197. 81% of the respondents supported the interim provision for disclosure regarding vulnerability to transition risks and 19% opposed it. Similarly, 82% of the respondents supported the interim provision for disclosure regarding vulnerability to physical risks and 18% opposed it.

198. Respondents were broadly supportive of the proposed interim provisions, recognising that a balance needs to be struck between allowing issuers time to prepare for quantitative disclosure and meeting investors' information needs. Some respondents suggested a longer interim period, or to maintain the interim provision beyond the Interim Period for issuers whose climate-related risks are not material.

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[130] See paragraph 125 of the Consultation Paper.

[131] See paragraph 121 of the Consultation Paper.

[132] See paragraph 125 of the Consultation Paper.

Our response and conclusion

199. We will adopt the proposals with modifications to make available the Reasonable Information Relief for disclosure of these metrics[133] to address respondents' concerns over measurement, quantification and disclosure.

200. We note the majority support for the interim provisions. However, we believe that: (i) the adoption of the Phased Approach; and (ii) the availability of the Reasonable Information Relief are adequate to address most respondents' concerns. Accordingly, we will remove the proposed interim provisions from the final Rules.

Disclosure of amount and percentage of assets or business activities aligned with climate-related opportunities (question 22)

201. We proposed to require disclosure of the amount and percentage of assets or business activities aligned with climate-related opportunities[134].

202. We also proposed that during the Interim Period, an issuer who has yet to make quantitative disclosures in respect of this metric should disclose: (i) a description of the assets or business activities aligned with climate-related opportunities and (ii) the work plan, progress and timetable for making the required disclosure[135].

Comments received

203. 69% of the respondents supported the proposal and 31% opposed it.

204. Respondents who supported the proposal welcomed the focus on issuers who are aware of their climate-related opportunities as part of the transition to a lower-carbon economy. The proposed disclosure would provide relevant information for investors.

205. On the other hand, there were calls for the proposed disclosure to apply on an optional basis, consistent with the other proposals in respect of climate-related opportunities in Part D of the ESG Code. Alternatively, some thought disclosure should only be required where an issuer has opted to disclose its climate-related opportunities. Other respondents called for flexibility to determine the scope and granularity of the disclosure, given that opportunities may be commercially sensitive. There was also a suggestion to limit the disclosure to material assets and business activities.

206. Regarding the interim provision, 79% of the respondents supported the proposal and 21% opposed it. While respondents were broadly supportive, some respondents suggested a longer interim period.

Our response and conclusion

207. Similar to our approach in respect of climate-related opportunities, we will adopt the

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[133] See note to paragraph 32 of Appendix C2. The relief will also apply to the cross-industry metric to disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.

[134] See paragraphs 122 and 123 of the Consultation Paper.

[135] See paragraph 125 of the Consultation Paper.

proposal[136], with the following modifications:

(a) make available the Commercial Sensitivity Relief to exempt disclosure of information in relation to climate-related opportunities that is commercially sensitive and not publicly available[137]; and

(b) make available the Reasonable Information Relief[138] to address respondents' concerns over measurement, quantification and disclosure.

208. We note the majority support for the interim provisions. However, in view of (i) the adoption of the Phased Approach as well as (ii) the availability of the Commercial Sensitivity Relief and the Reasonable Information Relief to address issuers' concerns, we will remove the interim provision from the final Rules.

Disclosure of amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities (question 23)

209. We proposed to require disclosure of the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities[139].

210. We also proposed that during the Interim Period, an issuer who has yet to make quantitative disclosures in respect of this metric should disclose: (i) a description of the types of activities requiring capital expenditure, financing or investment towards climate-related risks and opportunities; and (ii) the work plan, progress and timetable for making the required disclosure[140].

Comments received

211. 84% of the respondents supported the proposal and 16% opposed it.

212. Most respondents agreed that the proposed disclosure would improve transparency around issuers' exposure to climate-related risks, the extent to which they are deploying capital towards climate-related opportunities, and their commitment to executing their climate-related transition plan. This information would enable investors to better assess an issuer's climate approach.

213. Opposing respondents cited the difficulties in terms of quantification and expressed concerns over divulging speculative, confidential and/or commercially sensitive information. Some respondents noted that disclosure of capital expenditure deployed towards climate-related opportunities should only be required where an issuer has disclosed its opportunities and where such opportunities are material.

214. Regarding the interim provision, 88% of the respondents supported the proposal and 12% opposed it.

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[136] See paragraph 32 of Appendix C2.

[137] Exemption is allowed in limited circumstances. See note 2 to paragraph 20 of Appendix C2.

[138] See note to paragraph 32 of Appendix C2.

[139] See paragraph 124 of the Consultation Paper.

[140] See paragraph 125 of the Consultation Paper.

Our response and conclusion

215. We note the majority support for the proposal, and respondents' concerns over quantification and divulging commercially sensitive information.

216. In view of the adoption of the Phased Approach and in line with the ISSB Climate Standard, we will adopt the proposals[141], with modifications to make available the Commercial Sensitivity Relief[142].

217. We note the majority support for the interim provision. However, in view of (i) the adoption of the Phased Approach as well as (ii) the availability of the Commercial Sensitivity Relief, we will remove the interim provision.

Internal carbon prices (question 24)

218. We proposed that where the issuer maintains an internal carbon price, it should disclose (a) the price for each metric tonne of GHG emissions that it uses to assess the costs of its emissions; and (b) an explanation of how the issuer is applying the carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis)[143].

Comments received

219. 74% of the respondents supported the proposal and 26% opposed it.

220. We received diverse views on the proposal to disclose internal carbon prices. Supportive respondents were of the view that internal carbon prices can help issuers better understand the financial implications of their carbon footprint and make more informed decisions about how to manage and reduce it. Improved transparency and accountability around internal carbon pricing can help build confidence among investors in an issuer's commitment towards carbon reduction.

221. On the other hand, there were concerns that internal carbon pricing may constitute commercially sensitive information, both in terms of the specific carbon prices applied and the extent to which they drive wider decision-making. Some respondents noted that the proposal may discourage issuers from using internal carbon pricing or similar tools in order to reduce their compliance burden. There were suggestions that disclosure of internal carbon prices (beyond whether an issuer maintains an internal carbon price) should be voluntary.

Our response and conclusion

222. We note the majority support for our proposal to disclose internal carbon prices where maintained, and agree that internal carbon pricing would facilitate issuers to take into account financial the implications of their carbon footprint in their decision-making.

223. Regarding concerns over divulging commercially sensitive or competitive information, as most issuers (i.e. issuers other than LargeCap Issuers) will be subject to "comply or

[141] See paragraph 33 of Appendix C2.

[142] Exemption is allowed in limited circumstances. See note 2 to paragraph 20 of Appendix C2.

[143] See paragraphs 128 to 130 of the Consultation Paper.

explain" disclosure obligation only, they may opt to not disclose their internal carbon price and provide an explanation for non-disclosure. As the carbon market matures and there are more relevant disclosures for benchmarking, concerns over confidentiality and divulging commercial sensitive information should gradually ease.

224. We will adopt the proposal, and revise the Rules to require disclosure of a negative statement where appropriate[144] for the sake of clarity.

Remuneration (question 25)

225. We proposed to require an issuer to disclose how climate-related considerations are factored into remuneration policy[145]. Such disclosure may form part of the disclosure under the "Governance" pillar.

Comments received

226. 82% of the respondents supported the proposal and 18% opposed it.

227. Most respondents welcomed the flexible approach proposed, which would maintain corporate accountability and transparency at the same time.

228. Some respondents commented that climate-related considerations would be hard to quantify as an aspect of remuneration policy, and that the proposal may lead to issuers divulging sensitive information. On the contrary, some respondents recommended following the ISSB Climate Standard in requiring disclosure of the percentage or amount of remuneration linked to climate considerations (such as achieving climate-related targets) to allow comparability across issuers.

229. One respondent requested for clarification as to whether a negative statement is required if climate-related considerations are not factored into remuneration policy. Clarification was also sought as to whether the remuneration policy covers executive management only, or also includes the board of directors, given that the board is expected to have oversight of climate-related matters.

Our response and conclusion

230. Our proposal is not intended to restrict or impose any requirements on an issuer' remuneration policy(ies). The board of directors has the absolute discretion to determine whether and how to factor climate considerations into the remuneration policy, or the scope of persons (i.e. executive management or a broader range of personnel) to be covered by such policy.

231. As our original proposal did not require disclosure of the percentage or amount of remuneration linked to climate consideration and there were concerns over divulging sensitive information, we will not include this requirement at this stage. Nonetheless, we will include examples and guidance on disclosure of climate-linked remuneration policies/ KPIs in the Implementation Guidance; and encourage issuers to consider making such disclosures.

[144] See paragraph 34 of Appendix C2.

[145] See paragraphs 132 to 134 of the Consultation Paper.

232. We will adopt the proposal, with modifications to require disclosure of an appropriate negative statement where an issuer has not factored climate-related considerations into its remuneration policy[146]. Such disclosure may form part of the disclosure under the "Governance" pillar.

III. Industry-based metrics

Consideration of industry-based metrics (question 26)

233. We proposed to encourage issuers to consider the industry-based disclosure requirements prescribed under other international ESG reporting frameworks such as the SASB Standards and the GRI Standards, and make disclosures as they see fit[147].

Comments received

234. 82% of the respondents supported the proposal and 18% opposed it.

235. Respondents who supported the proposal welcomed the greater alignment with emerging international best practice to consider industry-based disclosure requirements. There were suggestions to include a reference in the final rules to the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures as well. Some respondents suggested that the Exchange should go further to mandate consideration of industry-based metrics.

236. On the other hand, opposing respondents commented that since international ESG reporting frameworks are still developing, this proposal should be introduced at a later stage when there is greater clarity in this area to avoid the need for future realignment.

Our response and conclusion

237. We note the majority support for our proposal to consider industry-based disclosure requirements. However, as ESG reporting frameworks are still developing, we will not mandate disclosure of industry-based metrics at this stage.

238. Nonetheless, as companies in a particular industry sector often have common business models and therefore face similar climate-related challenges, industry-specific disclosure topics play an important role in ensuring the usefulness and comparability of climate-related disclosures. Accordingly, we encourage issuers to refer to and consider the applicability of industry-based disclosure requirements.

239. In light of the above and to mirror the wording of the ISSB Climate Standard more closely, we will adopt the proposal, with modifications to encourage issuers to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry.

240. In particular, an issuer is encouraged to refer to and consider the applicability of industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other applicable international ESG reporting

[146] See paragraph 35 of Appendix C2.

[147] See paragraphs 136 and 137 of the Consultation Paper.

framework[148].

Consequential amendments to the ESG Code

<u>Consequential amendments to the ESG Code (question 27)</u>

241. To reflect the introduction of the new climate-related disclosure requirements as Part D of the ESG Code, we proposed to amend the ESG Code [149]:

(a) to reflect that the ESG Code includes new climate-related disclosure requirements in Part D;

(b) to clarify that issuers may adopt international ESG reporting guidance such as the IFRS Sustainability Disclosure Standards, so long as they include comparable disclosures to those required under the ESG Code; and

(c) to emphasise that a discussion of environmental policies and performance in the business review section of the directors' report includes climate-related policies and performance.

242. We sought feedback regarding whether the manner in which the proposed consequential amendments were drafted will give rise to any ambiguities or unintended consequences.

Comments received

243. All respondents either supported our proposal or did not indicate a view.

Our response and conclusion

244. We will adopt the proposals, with modifications to make appropriate Rule amendments that reflect the new structure of the ESG Code[150].

Implementation Guidance

<u>Topics/ matters for inclusion in the Implementation Guidance (question 28)</u>

245. We sought feedback on the proposed topics/matters set out in the Consultation Paper that we intended to give guidance on in the Implementation Guidance, as well as whether there were any other topics/matters where further guidance would be welcome[151].

Comments received

246. The key areas that respondents requested practical guidance on are as follows:

[148] See paragraph 36 of Appendix C2.

[149] See paragraph 138 of the Consultation Paper.

[150] See paragraph 2 of Appendix C2.

[151] See paragraph 140 of the Consultation Paper.

(a) The format of disclosure and expected level of detail on certain topics, including climate-related risks, climate resilience, certain metrics and targets;

(b) Setting climate-related targets and how to disclose progress on the same;

(c) How to conduct climate-related scenario analysis (including available methodologies, selection of scenarios and the factors that an issuer can take into account);

(d) Quantification of financial effects;

(e) Calculation of scope 3 GHG emissions; and

(f) Steps to prepare for and make the qualitative disclosures required under the new rules.

Our response and conclusion

247. Recognising respondents' needs for more detailed guidance, we have published the Implementation Guidance together with this Conclusions Paper. The Implementation Guidance aims to provide practical, step-by-step guidance for preparation of reports in accordance with the revised the ESG Code.

248. To prepare our issuers for a smooth transition towards implementation of the HK Standards (where available) in full, the Implementation Guidance has incorporated the ISSB Standards[152] insofar as they are relevant/applicable. While the Implementation Guidance does not constitute part of the Listing Rules, we urge issuers to prepare climate-related disclosures in accordance with the principles and approaches highlighted therein, so that they could become better prepared for the eventual full adoption of the HK Standards (when available).

249. To ensure consistency of disclosures, it is crucial that issuers prepare the new climate-related disclosures with regard to the same set of reporting principles. The Implementation Guidance therefore includes an overview of applicable reporting principles, conceptual foundations and discussion on the implementation reliefs available under the new Rules, with reference to the applicable provisions of the ISSB Standards.

250. In relation to the more challenging disclosures, including disclosures relating to climate-related scenario analysis, financial effects, GHG emissions and setting of climate-related targets, the Implementation Guidance further provides localised guidance[153], illustrative company cases to showcase the step-by-step workflow in preparing disclosures under the "Strategy" pillar; and/or illustrative disclosures, with indications as to how these disclosures fulfil the ESG Code disclosure requirements.

[152] Including application guidance set out in Appendix B to the ISSB Climate Standard, relevant applicable reporting principles under the ISSB General Standard, and further elaboration on the requirements of the ISSB Climate Standard.

[153] For example, guidance to address common challenges such as unavailability of location-specific climate data that issuers may face when conducting scenario analysis.

Feedback on latest ISSB developments

<u>Feedback on latest ISSB developments (question 29)</u>

251. The proposals set forth in the Consultation Paper were formulated with reference to the ISSB Climate Standard exposure draft published in March 2022 and the subsequent ISSB deliberations up to April 2023. We invited feedback on new developments announced by the ISSB subsequent to the publication of the Consultation Paper that may impact on the proposals set forth therein[154].

252. On 26 June 2023, ISSB published its final ISSB Standards.

Comments received

253. 59% of the respondents provided feedback on ISSB developments and 41% did not.

Adoption of the ISSB Standards

254. Please refer to the discussions in paragraphs 39 to 41 above.

Applicability of reporting boundary

255. One respondent questioned if the reporting boundary to be determined by an issuer pursuant to paragraph 15 of the ESG Code is applicable to the New Climate Requirements, as the ISSB Standards do not allow entities to have a choice over reporting boundary for climate-related disclosures.

Our response and conclusion

Adoption of the ISSB Standards

256. Please refer to the discussions in paragraphs 42 to 46 above.

Applicability of reporting boundary

257. The reporting principles and general requirements set out in Part A of the ESG Code continue to underpin issuers' preparation of ESG disclosures in accordance with the ESG Code (including the New Climate Requirements). Nonetheless, issuers have the flexibility to adopt international ESG reporting guidance (including the ISSB Standards) so long as there are comparable disclosures to disclosures required under the ESG Code[155].

258. Therefore, while we have no intention to change the reporting principles or other requirements (including the reporting boundary) at this juncture, issuers are encouraged to follow the ISSB Standards and align the scope of entities or operations that are included in the ESG report (including the climate-related disclosures) with that of its financial statements. This may facilitate issuers' future reporting under the HK Standards, which are expected to align with the ISSB Standards.

[154] See paragraph 144 of the Consultation Paper.

[155] See paragraph 8 of Appendix C2.

(E) Additional comments

259. We received valuable comments on further measures to enhance the ESG Code and the related Listing Rules, which although outside the scope of this consultation, would be considered in future reviews. We summarise below the comments on assurance, liability protection, mandatory climate training for directors, wider capacity building and amendments to requirements for disclosure of financial information.

Comments

Assurance

260. A number of respondents noted the increasing international focus on independent assurance, as well as the IAASB's recent consultation on its proposed standard on sustainability assurance. They called for the phased introduction of assurance requirements for climate-related disclosures, with the ultimate goal of requiring assurance on ESG reports similar to that required for the audit of financial statements. Such respondents also asked for a roadmap to introduce ESG assurance requirements.

261. One respondent further recommended that ESG reports should be subject to, at a minimum, limited assurance within the next two to three years. One respondent sought clarity on who can provide assurance services, as well as who can regulate these service providers.

Liability protection

262. A few respondents called for a suitable liability framework that provides meaningful protection from legal liability for disclosures provided in good faith while disclosure standards continue to evolve. There were suggestions to introduce safe harbours for forward-looking statements and disclosures that rely on third party data or estimated data, for example scope 3 GHG emissions and scenario analysis, given the associated data challenges and the nascent state of relevant methodologies. It was believed that appropriate liability protection against wrongful estimations and assumptions made in good faith would encourage more proactive, transparent and higher quality disclosures.

Mandatory climate training for directors

263. There were a few calls for mandatory board training on climate risks and opportunities, as well as one suggestion to extend such training to the senior management of issuers. Singapore and Malaysia were cited as examples of jurisdictions which have specific climate training requirements.

Wider capacity building

264. Some respondents encouraged the Exchange to work with the Hong Kong Government, professional associations, advisors and other stakeholders to improve market infrastructure and wider capacity building. Suggestions provided include building a central database with information on emissions conversion factors, further resources and training to expand the ESG talent pool in Hong Kong, developing a local ESG or sustainability taxonomy, and exploring the certification of relevant professionals to assist with sustainability reporting.

Amendments to requirements for disclosure of financial information

265. One respondent suggested that where a climate-related risk and/or opportunity may have a material impact on the issuer's financials, relevant disclosures should be made in both the issuer's ESG report and annual report. Such disclosure requirement should be reflected in all applicable Listing Rules, including Appendix D2 of the Main Board Rules (which sets out requirements for disclosure of financial information).

Our response

266. The development of our ESG regulatory framework has been, and will continue to be, an evolutionary process, with the longer-term goal of achieving better and more comprehensive ESG reporting amongst our issuers. Although these new proposals were not included in our consultation, we note these suggestions and will continue to monitor global developments in these areas for inclusion in future revision to our ESG Code, as appropriate.

267. Regarding assurance, we are aware of IAASB's latest consultation on its proposed sustainability assurance standards and acknowledge the role of independent assurance in strengthening the credibility and reliability of sustainability-related information. As explained in our previous ESG consultation[156], we did not require independent assurance for ESG information as a globally-accepted assurance standard had yet to be developed.

268. The Vision Statement expects that local sustainability-related assurance and ethics standards will be developed, taking into account latest global developments, including those from the IAASB. When such local standards are available, we will assess the readiness of issuers and the local ESG ecosystem, and consider requiring independent assurance for sustainability information in accordance with such local standards.

269. In the meantime, issuers are encouraged to seek independent assurance to strengthen the credibility of ESG information disclosed, and make relevant disclosures when such assurance is obtained[157]. Please also refer to Question 23 of Frequently Asked Questions Series 18[158] for further guidance on seeking independent assurance.

270. We also note the suggestion for further cooperation with the Hong Kong Government and other stakeholders on wider capacity building. Since the establishment of the Steering Group in May 2020, the Steering Group has launched various capacity building initiatives, including the launch of (i) a digitalised Climate and Environmental Risk Questionnaire for Non-listed companies[159] developed by the Steering Group and CDP to help corporates, particularly small and medium-sized enterprises, get started in sustainability reporting; (ii) GHG emissions calculation[160] and estimation[161] tools

[156] See Consultation Conclusions – Review of the Environmental, Social and Governance Reporting Guide and related Listing Rules, paragraph 200.

[157] See paragraph 9 of Appendix C2.

[158] https://en-rules.hkex.com.hk/sites/default/files/net_file_store/HKEX_FAQ_18.pdf

[159] https://sustainablefinance.org.hk/en/data-technology/casg-non-listed-company-questionnaire-on-climate-and-environmental-risk

[160] https://sustainablefinance.org.hk/en/data-technology/calculator-for-scope-1-and-scope-2-greenhouse-gas-emissions-of-a-corporation

[161] https://sustainablefinance.org.hk/en/data-technology/estimator-for-scope-1-and-scope-2-greenhouse-gas-emissions-of-a-corporation

developed by the Steering Group together with the Hong Kong University of Science and Technology to support the calculation and estimation of GHG emissions; (iii) a cross-sector repository for green and sustainability-related resources; and (iv) a sustainable finance internship program, to expand the ESG talent pool in Hong Kong.

271. .In May 2023, the Hong Kong Monetary Authority released a discussion paper to gather feedback on its prototype of a local green classification framework (i.e. taxonomy), that is interoperable and inclusive of other green definitions used worldwide.

272. The Vision Statement also identified capacity building as well as technological solutions to be key building blocks to develop the local sustainability disclosure ecosystem. We will continue to work with other Steering Group members to support ESG talent development in Hong Kong.

273. In addition to moving towards the adoption of the HK Standards (when available), we will continue to monitor developments on assurance as well as the demand for liability protection, mandatory climate training for directors etc. Consequently, respondents' comments on these matters will be considered in due course.

APPENDIX I: LIST OF RESPONDENTS

Accounting firms (4 in total)	
1	Deloitte Touche Tohmatsu
2	Ernst & Young
3	KPMG
4	PricewaterhouseCoopers
Corporate finance firms / banks (4 in total)	
1	Natixis Corporate and Investment Banking
2-4	3 corporate financial firms/ banks requested anonymity
HKEX participants (2 in total)	
1	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
2	1 HKEX participant requested anonymity
Investment management firms (4 in total)	
1	Fidelity International
2	Norges Bank Investment Management
3	Y2 Capital
4	1 investment management firm requested anonymity
Law firms (6 in total)	
1	Charltons
2	Clifford Chance
3	Freshfields Bruckhaus Deringer
4	Kirkland & Ellis
5	Simmons & Simmons
6	1 law firm requested anonymity
Listed companies (45 in total)	
1	AAC Technologies Holdings Inc.
2	AIA Group Limited

3	Cathay Pacific Airways Limited
4	China Pacific Insurance (Group) Co., Ltd.
5	CK Hutchinson Holdings Limited
6	CLP Holdings Limited
7	COSCO SHIPPING Holdings Co., Ltd.
8	Hongcheng Environmental Technology Company Limited
9	New Focus Auto Tech Holdings Limited
10	Prudential Plc
11	Roma (Meta) Group Limited
12	Swire Pacific Limited[1]
13	Swire Properties Limited
14-45	32 listed companies requested anonymity
Non-governmental / charitable organisations (10 in total)	
1	Asia Investor Group on Climate Change
2	Financial Services Research Group
3	Hong Kong Green Building Council Limited
4	Hong Kong Green Finance Association
5	International Corporate Governance Network
6	Our Hong Kong Foundation
7	The ESG Consortium
8	Universities Superannuation Scheme Ltd[2]
9	WWF
10	1 non-governmental / charitable organisation requested anonymity
Other entities (11 in total)	
1	CHFT

[1] Cathay Pacific Airways Limited's submission is identical to the submission of Swire Pacific Limited. Therefore, we count the two submissions as one response.

[2] Universities Superannuation Scheme Ltd's submission is an endorsement of Asian Corporate Governance Association's submission. Therefore, we count the two submissions as one response.

2	GC Insights
3	Link Asset Management Limited
4	OCF Corporate Advisory Ltd
5	Principles for Responsible Investment
6	Riskory Consultancy Limited
7	SWCS Corporate Services Group (Hong Kong) Limited
8	Teneo Asia
9	Unravel Carbon
10-11	2 other entities requested anonymity
Professional bodies / industry associations (14 in total)	
1	Asia Securities Industry & Financial Markets Association
2	Asian Corporate Governance Association
3	Association of Chartered Certified Accountants Hong Kong
4	CFA Society Hong Kong and CFA Institute
5	CPA Australia
6	Hong Kong General Chamber of Commerce
7	Hong Kong Institute of Certified Public Accountants
8	Hong Kong Investment Funds Association
9	The British Chamber of Commerce in Hong Kong
10	The Canadian Chamber of Commerce in Hong Kong
11	The Chamber of Hong Kong Listed Companies
12	The Hong Kong Chartered Governance Institute
13	The Hong Kong Institute of Directors
14	The Law Society of Hong Kong
Individuals (15 in total)	
1	David W. Wen
2	Virginia Wilmerding

3	Ho Kwan
4	Peter Knaack
5	Song Hai Yan
6	Steve Ong
7-15	9 individuals requested anonymity

Remarks:

1. *If the entire body of the response is identical, word-for-word, with the entire body of another response. It will be recorded as a "duplicate response" and it will not be counted for the purpose of a quantitative and qualitative analysis of the responses.*

2. *The total number of responses is calculated according to the number of submissions received and not the underlying members that they represent.*

APPENDIX II: QUANTITATIVE ANALYSIS OF RESPONSES

Proposals in the Consultation paper	Feedback[1]		
	Yes	No	Did not comment
1. Do you agree to upgrade climate-related disclosures to mandatory from "comply or explain"?	86 (79%)	23 (21%)	5
(A) Governance			
2. Do you agree to introduce new governance disclosures focusing on climate-related issues as set out in paragraph 1 of Part D of the Proposed Appendix 27?	95 (93%)	7 (7%)	12
(B) Strategy			
I. Climate-related risks and opportunities			
3. Do you agree to require disclosure of climate-related risks as set out in paragraph 2 of Part D of the Proposed Appendix 27?	94 (92%)	8 (8%)	12
4. Do you agree that issuers may opt to disclose the actual and potential effects of climate-related opportunities they may have identified in response to climate-related risks disclosed as set out in paragraph 3 of Part D of the Proposed Appendix 27?	84 (83%)	17 (17%)	13
5. Do you agree that an issuer shall consider the applicability of and disclose the metrics when assessing and making disclosure of climate-related risks and opportunities as set out in paragraph 4 of Part D of the Proposed Appendix 27?	89 (93%)	7 (7%)	18
II. Transition plans			
6. Do you agree to require disclosure of how the issuer is responding to climate-related risks and, where an issuer chooses to, any climate-related opportunities as set out in paragraph 5 of Part D of the Proposed Appendix 27?	94 (93%)	7 (7%)	15

[1] The market feedback (Yes / No) out of the 114 non-duplicate responses presented for each consultation question in this table excludes respondents who did not respond or did not indicate clearly a view to a proposal.

Proposals in the Consultation paper	Feedback[1]		
	Yes	No	Did not comment
7. Do you agree to require disclosure of climate-related targets set by the issuer as set out in paragraph 6 of Part D of the Proposed Appendix 27?	94 (93%)	7 (7%)	13
8. Do you agree that where an issuer has yet to disclose climate-related targets, it should make alternative disclosures as set out in note 2 to paragraph 6 of Part D of the Proposed Appendix 27?	83 (86%)	14 (14%)	17
9. Do you agree to require disclosure of progress made in the most recent reporting year in respect of plans disclosed as set out in paragraph 7 of Part D of the Proposed Appendix 27?	88 (91%)	9 (9%)	17
III. Climate resilience			
10. Do you agree to require discussion of the issuer's climate resilience as set out in paragraph 8 of Part D of the Proposed Appendix 27?	87 (91%)	9 (9%)	18
11. Do you agree to require issuers to apply a climate-related scenario analysis that is commensurate with the issuer's circumstances, and to require disclosure of information on climate-related scenario analysis as set out in paragraph 9 of Part D of the Proposed Appendix 27?	89 (89%)	11 (11%)	14
IV. Financial effects of climate-related risks and opportunities			
12. Do you agree to require disclosure of the current financial effects of climate-related risks, and where applicable, climate-related opportunities as set out in paragraph 10 of Part D of the Proposed Appendix 27?	76 (78%)	21 (22%)	17
13. Do you agree that during the Interim Period, where an issuer has yet to provide quantitative disclosures pursuant to paragraph 10(a) of Part D of the Proposed Appendix 27, it should make the interim disclosures as set out in the paragraph immediately following paragraph 10 of Part D of the Proposed Appendix 27?	80 (80%)	20 (20%)	14

Proposals in the Consultation paper	Feedback[1]		
	Yes	**No**	**Did not comment**
14. Do you agree to require disclosure of anticipated financial effects of climate-related risks and, where applicable, climate-related opportunities as set out in paragraph 11 of Part D of the Proposed Appendix 27?	75 (80%)	19 (20%)	20
15. Do you agree that during the Interim Period, where an issuer has yet to provide information required in paragraph 11 of Part D of the Proposed Appendix 27, it should make the interim disclosures as set out in the paragraph immediately following paragraph 11 of Part D of the Proposed Appendix 27?	84 (86%)	14 (14%)	16
(C) Risk management			
16. Do you agree to require disclosure of the process an issuer uses to identify, assess and manage climate-related risks as set out in paragraph 12(a) of Part D of the Proposed Appendix 27?	94 (94%)	6 (6%)	14
17. Do you agree that issuers may opt to disclose the process used to identify, assess and manage climate-related opportunities as set out in paragraph 12(b) of Part D of the Proposed Appendix 27?	84 (85%)	15 (15%)	15
(D) Metrics and targets			
I. GHG emissions			
18. (a) Do you agree with the proposed approach for the disclosure of scope 1 and scope 2 emissions and the related information as set out in paragraphs 13 to 14 of Part D of the Proposed Appendix 27?	97 (95%)	5 (5%)	12
18. (b) Do you agree with the proposed approach for the disclosure of scope 3 emissions and the related information as set out in paragraphs 13 to 15 of Part D of the Proposed Appendix 27?	77 (78%)	22 (22%)	15

Proposals in the Consultation paper	Feedback[1]		
	Yes	No	Did not comment
19. Do you agree with the proposed approach for the interim disclosures in respect of scope 3 emissions during the Interim Period as set out in the paragraph immediately following paragraph 15 of Part D of the Proposed Appendix 27?	90 (86%)	15 (14%)	9
II. Other cross-industry metrics			
20. (a) Do you agree to require disclosure of the amount and percentage of assets or business activities vulnerable to transition risks as set out in paragraph 16 of Part D of the Proposed Appendix 27?	73 (77%)	22 (23%)	19
20. (b) Do you agree with the proposed interim disclosures during the Interim Period in respect of the metric regarding transition risks as set out in the paragraph immediately following paragraph 16 of Part D of the Proposed Appendix 27?	76 (81%)	18 (19%)	20
21. (a) Do you agree to require disclosure of the amount and percentage of assets or business activities vulnerable to physical risks as set out in paragraph 17 of Part D of the Proposed Appendix 27?	72 (77%)	22 (23%)	20
21. (b) Do you agree with the proposed interim disclosures during the Interim Period in respect of the metric regarding physical risks as set out in paragraph immediately following paragraph 17 of Part D of the Proposed Appendix 27?	79 (82%)	17 (18%)	18
22. (a) Do you agree to require disclosure of the amount and percentage of assets or business activities aligned with climate-related opportunities as set out in paragraph 18 of Part D of the Proposed Appendix 27?	66 (69%)	29 (31%)	19
22. (b) Do you agree with the proposed interim disclosures during the Interim Period in respect of metrics regarding climate-related opportunities as set out in the paragraph immediately following paragraph 18 of Part D of the Proposed Appendix 27?	76 (79%)	20 (21%)	18

Proposals in the Consultation paper	Feedback[1]		
	Yes	No	Did not comment
23. (a) Do you agree to require disclosure of the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities as set out in paragraph 19 of Part D of the Proposed Appendix 27?	83 (84%)	16 (16%)	15
23. (b) Do you agree with the proposed interim disclosures during the Interim Period in respect of the metric regarding capital deployment as set out in the paragraph immediately following paragraph 19 of Part D of the Proposed Appendix 27?	86 (88%)	12 (12%)	16
24. Do you agree that where an issuer maintains an internal carbon price, it should disclose the information as set out in paragraph 20 of Part D of the Proposed Appendix 27?	73 (74%)	25 (26%)	16
25. Do you agree with the proposed approach for the disclosure of how climate-related considerations are factored into remuneration policy as set out in paragraph 21 of Part D of the Proposed Appendix 27?	79 (82%)	17 (18%)	18
III. Industry-based metrics			
26. Do you agree with the proposed approach for the industry-based disclosure requirements prescribed under other international ESG reporting frameworks such as the SASB Standards and the GRI Standards as set out in paragraph 22 of Part D of the Proposed Appendix 27?	80 (82%)	18 (18%)	16
Consequential amendments to Appendix 27			
27. Do you have any comments regarding whether the manner in which the proposed consequential amendments are drafted will give rise to any ambiguities or unintended consequences?	35 (63%)	21 (37%)	58
Implementation Guidance			
28. Do you have any comments regarding the topics / matters that we intend to give guidance on? Is there any particular topic/matter you consider further guidance to be helpful?	49 (77%)	15 (23%)	50

Proposals in the Consultation paper	Feedback[1]		
	Yes	No	Did not comment
Feedback on latest ISSB developments			
Do you have any feedback on the new developments announced by the ISSB subsequent to the publication of this paper that may impact on the proposals in this paper?	37 (59%)	26 (41%)	51

APPENDIX III: AMENDMENTS TO MAIN BOARD LISTING RULES

Part A: Appendix C2

Appendix C2

Environmental, Social and Governance Reporting ~~Guide~~Code

Part A: Introduction

The ~~Guide~~Code

1. This ~~Guide~~Environmental, Social and Governance Reporting Code comprises two levels of disclosure obligations: (a) mandatory disclosure requirements; and (b) "comply or explain" provisions.

2. (1) ~~Mandatory disclosure requirements are set out in~~ Part B of this ~~Guide~~Code sets out the mandatory disclosure requirements that must be included in all issuers' ESG reports. ~~An issuer must include such information for the period covered by the ESG report.~~

   (2) Part C of this Code sets out the "comply or explain" provisions that all issuers are required to report in their ESG reports on a "comply or explain" basis.

   (3) Part D of this Code sets out disclosure requirements regarding climate-related risks to which an issuer is exposed, and climate-related opportunities available to the company with reference to the following core pillars:

   (a) **Governance** – the governance process, controls and procedures an issuer uses to monitor, manage and oversee climate-related risks and opportunities;

   (b) **Strategy** – an issuer's strategy for managing climate-related risks and opportunities;

   (c) **Risk management** – the process an issuer uses to identify, assess, prioritise and monitor climate-related risks and opportunities; and

   (d) **Metrics and targets** – the metrics and targets an issuer uses to understand its performance in relation to climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.

   Issuers must refer to Part D of this Code for the applicable disclosure obligation and contents to be disclosed in the ESG reports in respect of each core pillar set out above.

3. ~~"Comply or explain" provisions are set out in Part C of this Guide.~~ An issuer must report on the "comply or explain" provisions of this ~~Guide~~Code. If the issuer does not report on one or more of these provisions, it must provide considered reasons in its ESG report. For guidance on the "comply or explain" approach, issuers may refer to the "*What is "comply or explain"?*" section of the Corporate Governance Code in

Appendix C1 of the Main Board Listing Rules.

4. (1) An issuer must publish its ESG report on an annual basis and regarding the same period covered in its annual report. An ESG report may be presented as information in the issuer's annual report or in a separate report. Regardless of the format adopted, the ESG report must be published on the Exchange's website and the issuer's website.

(2) Where the ESG report does not form part of the issuer's annual report:

(a) To the extent permitted under all applicable laws and regulations, an issuer must provide the ESG report to its shareholders using electronic means in accordance with and subject to the provisions set out in rule 2.07A.

(b) [Repealed 31 December 2023]

(c) [Repealed 31 December 2023]

(d) The issuer shall publish the ESG report at the same time as the publication of the annual report.

Overall Approach

5. This ~~Guide~~Code is organised into two ESG subject areas ("Subject Areas"): Environmental (Subject Area A) and Social (Subject Area B). Corporate governance is addressed separately in the Corporate Governance Code.

6. Each Subject Area has various aspects ("Aspects"). Each Aspect sets out general disclosures ("General Disclosures") and key performance indicators ("KPIs") for issuers to report on in order to demonstrate how they have performed.

7. In addition to the "comply or explain" matters set out in this ~~Guide~~Code, the Exchange encourages an issuer to identify and disclose additional ESG issues and KPIs that reflect the issuer's significant environmental and social impacts; or substantially influence the assessments and decisions of stakeholders. In assessing these matters, the issuer should engage stakeholders on an ongoing basis in order to understand their views and better meet their expectations.

8. This ~~Guide~~Code is not comprehensive and the issuer may refer to existing international ESG reporting guidance for its relevant industry or sector. The issuer may adopt international ESG reporting guidance, including the IFRS Sustainability Disclosure Standards, so long as it includes comparable disclosures~~ provisions~~ to those required under~~ the "comply or explain" provisions set out in~~ this ~~Guide~~Code. ESG reports prepared in compliance with the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures are considered to have complied with Part D of this Code.

9. The issuer may seek independent assurance to strengthen the credibility of the ESG information disclosed. Where independent assurance is obtained, the issuer should describe the level, scope and processes adopted for the assurance given clearly in the ESG report.

10. The board has overall responsibility for an issuer's ESG strategy and reporting.

Reporting Principles

11. The following Reporting Principles underpin the preparation of an ESG report, informing the content of the report and how information is presented. An issuer should follow these Reporting Principles in the preparation of an ESG report:

    (1) **Materiality:** The threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported. For the purpose of Part D of this Code, an issuer must disclose information about climate-related risks and opportunities that could reasonably be expected to affect its cash flows, its access to finance or cost of capital over the short, medium or long term.

    (2) **Quantitative:** KPIs in respect of historical data need to be measurable. The issuer should set targets (which may be actual numerical figures or directional, forward-looking statements) to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.

    (3) **Balance:** The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

    (4) **Consistency:** The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.

Complementing ESG discussions in the Business Review Section of the Directors' Report

12. Pursuant to paragraph 28(2)(d) of Appendix D2 of the Main Board Listing Rules, an issuer's directors' report for a financial year must contain a business review in accordance with Schedule 5 to the Companies Ordinance. The business review must include, to the extent necessary for an understanding of the development, performance or position of the issuer's business:

    (i) a discussion of the issuer's environmental (including climate-related) policies and performance;

    (ii) a discussion of the issuer's compliance with the relevant laws and regulations that have a significant impact on the issuer; and

    (iii) an account of the issuer's key relationships with its employees, customers and suppliers and others that have a significant impact on the issuer and on which the issuer's success depends.

    This ~~Guide~~Code should complement the content requirements of the directors' report, as it calls for issuers to disclose information in respect of specific ESG areas.

Part B: Mandatory Disclosure Requirements

This part sets out disclosure requirements that must be included in an issuer's ESG report on a mandatory basis.

Governance Structure

13. A statement from the board containing the following elements:

    (i) a disclosure of the board's oversight of ESG issues;

    (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and

    (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.

Reporting Principles

14. A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:

    Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.

    Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.

    Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.

Reporting Boundary

15. A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.

Part C: "Comply or explain" Provisions

<u>This part sets out provisions to be reported on by an issuer in the ESG report on a "comply or explain" basis.</u>

Subject Areas, Aspects, General Disclosures and KPIs	
A. Environmental	
Aspect A1: Emissions	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer

	relating to air ~~and greenhouse gas~~ emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. *Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.* ~~*Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.*~~ *Hazardous wastes are those defined by national regulations.*	
	KPI A1.1	The types of emissions and respective emissions data.
	KPI A1.2	~~Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).~~[Repealed 1 January 2025]
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. *Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*	
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken

		to achieve them.
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.
Aspect A4: Climate Change	~~General Disclosure~~ ~~Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.~~[Repealed 1 January 2025]	
	KPI A4.1	~~Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.~~[Repealed 1 January 2025]

<table>
<tr><th colspan="3">Subject Areas, Aspects, General Disclosures and KPIs</th></tr>
<tr><td colspan="3">B. Social</td></tr>
<tr><td colspan="3">Employment and Labour Practices</td></tr>
<tr><td rowspan="3">Aspect B1: Employment</td><td colspan="2">General Disclosure

Information on:

(a) the policies; and

(b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</td></tr>
<tr><td>KPI B1.1</td><td>Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.</td></tr>
<tr><td>KPI B1.2</td><td>Employee turnover rate by gender, age group and geographical region.</td></tr>
<tr><td rowspan="4">Aspect B2: Health and Safety</td><td colspan="2">General Disclosure

Information on:

(a) the policies; and

(b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to providing a safe working environment and protecting employees from occupational hazards.</td></tr>
<tr><td>KPI B2.1</td><td>Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</td></tr>
<tr><td>KPI B2.2</td><td>Lost days due to work injury.</td></tr>
<tr><td>KPI B2.3</td><td>Description of occupational health and safety measures adopted, and how they are implemented and monitored.</td></tr>
<tr><td>Aspect B3: Development and Training</td><td colspan="2">General Disclosure

Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.

Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</td></tr>
</table>

	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).
	KPI B3.2	The average training hours completed per employee by gender and employee category.
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	
	KPI B5.1	Number of suppliers by geographical region.
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters	

	relating to products and services provided and methods of redress.	
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.
	KPI B6.4	Description of quality assurance process and recall procedures.
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.
	KPI B7.3	Description of anti-corruption training provided to directors and staff.
Community		
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.

Part D: Climate-related Disclosures

Disclosure Obligation

16. (1) Subject to paragraph 17, an issuer must report on the climate-related disclosures set out in this part in the ESG report on a "comply or explain" basis. An issuer who has yet to disclose information required under any of the provisions must provide considered reasons for non-disclosure.

(2) Where an issuer has yet to disclose information required under any of the provisions set out in this part, regardless of whether such issuer has (a) opted to "explain" why it has not made a particular disclosure under the "comply or explain" regime or (b) chosen to apply an applicable relief available pursuant to the note to the relevant provision (whether it is required to report on a mandatory or "comply or explain" basis), such issuer is encouraged to provide information on the work plan, progress and timetable for making the required disclosure.

17. (1) An issuer must disclose its ***Scope 1 greenhouse gas emissions*** and ***Scope 2 greenhouse gas emissions*** pursuant to paragraphs 28(a), 28(b) and 29 on a mandatory basis.

(2) An issuer that is a constituent of the Hang Seng Composite LargeCap Index (HSCLI) must report on the provisions set out in this part on a mandatory basis in respect of financial years commencing on or after 1 January 2026.

Note: This paragraph 17(2) applies to an issuer that is a HSCLI constituent throughout the year immediately prior to the reporting year. Once an issuer becomes subject to mandatory disclosure of Part D of this Code, it must continue to be subject to mandatory disclosure of Part D of this Code even if it subsequently ceases to be a HSCLI constituent.

(3) An issuer is encouraged, but not required, to disclose industry-based metrics pursuant to paragraph 36.

Definitions and Guidance

18. (1) In this part, unless otherwise specified, terms in bold and italics shall have the meaning ascribed to them in Appendix A of the IFRS S2 Climate-related Disclosures.

(2) When preparing disclosures pursuant to the provisions of this part, issuers should refer to (i) the application guidance set out in Appendix B of the IFRS S2 Climate-related Disclosures; and (ii) implementation guidance issued by the Exchange on the Exchange's website, as amended from time to time.

Climate-related Disclosures

(I) Governance

19. An issuer shall disclose information about:

(a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of

climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:

Note: The responsibilities of such body(s) or individual(s) should be reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s).

(i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to ***climate-related risks and opportunities***;

(ii) how and how often the body(s) or individual(s) is informed about ***climate-related risks and opportunities***;

(iii) how the body(s) or individual(s) takes into account ***climate-related risks and opportunities*** when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;

(iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to ***climate-related risks and opportunities*** (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph 35); and

(b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee ***climate-related risks and opportunities***, including information about:

(i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and

(ii) whether management uses controls and procedures to support the oversight of ***climate-related risks and opportunities*** and, if so, how these controls and procedures are integrated with other internal functions.

Note: In preparing disclosures to fulfil the requirements in this paragraph 19, an issuer shall avoid unnecessary duplication with disclosures made pursuant to paragraph 13 of this Code. For example, although an issuer shall provide the information required by this paragraph 19, if oversight of ESG-related (including climate-related) risks and opportunities is managed on an integrated basis, the issuer would avoid duplication by providing integrated governance disclosures instead of separate disclosures for each ESG-related risk and opportunity.

(II) Strategy

Climate-related risks and opportunities

20. An issuer shall disclose information to enable an understanding of ***climate-related risks and opportunities*** that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:

(a) describe ***climate-related risks and opportunities*** that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term;

(b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a ***climate-related physical risk*** or ***climate-related transition risk***;

(c) specify, for each ***climate-related risk and opportunity*** the issuer has identified, over which time horizons – short, medium or long term – the effects of each ***climate-related risk and opportunity*** could reasonably be expected to occur; and

(d) explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.

Notes:

1. In identifying the ***climate-related risks and opportunities*** *pursuant to paragraph 20, an issuer:*

(a) shall use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions; and

(b) is encouraged to refer to and consider the applicability of the industry-based ***disclosure topics*** *defined in IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures.*

2. (a) If an issuer determines that disclosing information about a climate-related opportunity pursuant to any provision under this Part D is commercially sensitive in the limited circumstances set out in this note 2(b) below, the issuer is permitted to omit disclosure of such information.

(b) An issuer qualifies for the exemption specified in this note 2(a) above if, and only if:

(i) information about the climate-related opportunity is not already publicly available;

(ii) disclosure of that information could reasonably be expected to prejudice seriously the economic benefits the issuer would otherwise be able to realise in pursuing the opportunity; and

(iii) the issuer has determined that it is impossible to disclose that information in a manner - for example, at an aggregated level - that would enable the issuer to meet the objectives of the disclosure requirement without prejudicing seriously the economic benefits the issuer would otherwise be able to realise in pursuing the opportunity.

(c) If an issuer elects to use the exemption specified in this note 2(a) above, the issuer shall, for each item of information omitted:

(i) disclose the fact that it has used the exemption; and

(ii) reassess, at each reporting date, whether the information qualifies for the exemption.

Business model and value chain

21. An issuer shall disclose information that enables an understanding of the current and anticipated effects of ***climate-related risks and opportunities*** on the issuer's ***business model*** and ***value chain***. Specifically, the issuer shall disclose:

(a) a description of the current and anticipated effects of ***climate-related risks and opportunities*** on the issuer's ***business model*** and ***value chain***; and

(b) a description of where in the issuer's ***business model*** and ***value chain climate-related risks and opportunities*** are concentrated (for example, geographical areas, facilities and types of assets).

*Note: An issuer shall use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort to determine the scope of its **value chain**, including its breadth and composition.*

Strategy and decision-making

22. An issuer shall disclose information that enables an understanding of the effects of ***climate-related risks and opportunities*** on its strategy and decision-making. Specifically, the issuer shall disclose:

(a) information about how the issuer has responded to, and plans to respond to, ***climate-related risks and opportunities*** in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:

(i) current and anticipated changes to the issuer's ***business model***, including its resource allocation, to address ***climate-related risks and opportunities***;

(ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect);

(iii) any ***climate-related transition plan*** the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a ***climate-related transition plan***; and

(iv) how the issuer plans to achieve any climate-related targets (including any ***greenhouse gas*** emissions targets (if any)), described in accordance with paragraphs 37 to 40; and

(b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).

23. An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).

Financial position, financial performance and cash flows

Current financial effect

24. An issuer shall disclose qualitative and quantitative information about:

(a) how ***climate-related risks and opportunities*** have affected its financial position, financial performance and cash flows for the reporting period; and

(b) the ***climate-related risks and opportunities*** identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.

Notes:

1. Issuers should account for climate-related matters in the financial statements in accordance with the requirements under HKFRS, IFRS, CASBE or the alternative overseas financial reporting standard acceptable to the Exchange.

2. Where the quantitative information disclosed pursuant to paragraph 24 is not expressed as a line item in the financial statements, the issuer shall explain how such information is reflected in its financial statements (e.g. identifying the relevant financial item).

Anticipated financial effect

25. The issuer shall provide qualitative and quantitative disclosures about:

(a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage ***climate-related risks and opportunities***, taking into consideration:

(i) its investment and disposal plans; and

(ii) its planned sources of funding to implement its strategy; and

(b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage ***climate-related risks and opportunities***.

Notes:

1. In providing quantitative information about current or anticipated financial effects, an issuer may disclose a single amount or a range.

2. In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity, an issuer shall:

(a) use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort; and

(b) *use an approach that is commensurate with the skills, capabilities and resources that are available to the issuer for preparing those disclosures.*

3. *An issuer need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity if the issuer determines that:*

(a) *those effects are not separately identifiable; or*

(b) *the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful.*

4. *In addition, an issuer need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if the issuer does not have the skills, capabilities or resources to provide that quantitative information.*

5. *If an issuer determines that it need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity applying the criteria set out in note 3 or 4 above, the issuer shall:*

(a) *explain why it has not provided quantitative information;*

(b) *provide qualitative information about those financial effects, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that climate-related risk or opportunity; and*

(c) *provide quantitative information about the combined financial effects of that climate-related risk or opportunity with other climate-related risks or opportunities and other factors unless the issuer determines that quantitative information about the combined financial effects would not be useful.*

Climate resilience

26. An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and ***business model*** to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified ***climate-related risks and opportunities***. An issuer shall use climate-related scenario analysis to assess its ***climate resilience*** using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:

(a) the issuer's assessment of its ***climate resilience*** as at the reporting date, which shall enable an understanding of:

(i) the implications, if any, of the issuer's assessment for its strategy and ***business model***, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis;

(ii) the significant areas of uncertainty considered in the issuer's assessment of its ***climate resilience***; and

(iii) the issuer's capacity to adjust, or adapt its strategy and ***business model*** to climate change over the short, medium or long term;

(b) how and when the climate-related scenario analysis was carried out, including:

(i) information about the inputs used, including:

(1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios;

(2) whether the analysis included a diverse range of climate-related scenarios;

(3) whether the climate-related scenarios used for the analysis are associated with ***climate-related transition risks*** or ***climate-related physical risks***;

(4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the ***latest international agreement on climate change***;

(5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;

(6) time horizons the issuer used in the analysis; and

(7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis);

(ii) the key assumptions the issuer made in the analysis; and

(iii) the reporting period in which the climate-related scenario analysis was carried out.

Note: An issuer shall determine an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort. The determination of the approach shall be informed by the assessments of the issuer's exposure to ***climate-related risks and opportunities*** *and its available skills, capabilities and resources.*

(III) Risk Management

27. An issuer shall disclose information about:

(a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:

(i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes);

(ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks;

(iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria);

(iv) whether and how the issuer prioritises climate-related risks relative to other types of risks;

(v) how the issuer monitors climate-related risks; and

(vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period;

(b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and

(c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring ***climate-related risks and opportunities*** are integrated into and inform the issuer's overall risk management process.

Note: In preparing disclosures to meet the requirements in this paragraph 27, an issuer shall avoid unnecessary duplication with disclosures made pursuant to paragraphs 13(ii) and 14 (Materiality) of this Code. For example, although an issuer shall provide the information required by this paragraph 27, if oversight of ESG-related (including climate-related) risks and opportunities is managed on an integrated basis, the issuer would avoid duplication by providing integrated risk management disclosures instead of separate disclosures for each ESG-related risk and opportunity.

(IV) Metrics and Targets

Greenhouse gas emissions

28. An issuer shall disclose its absolute gross ***greenhouse gas*** emissions generated during the reporting period, expressed as metric tons of ***CO_2 equivalent***, classified as:

    (a) ***Scope 1 greenhouse gas emissions***;

    (b) ***Scope 2 greenhouse gas emissions***; and

    (c) ***Scope 3 greenhouse gas emissions***.

29. An issuer shall:

    (a) measure its ***greenhouse gas*** emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring ***greenhouse gas*** emissions;

    (b) disclose the approach it uses to measure its ***greenhouse gas*** emissions including:

        (i) the measurement approach, inputs and assumptions the issuer uses to measure its ***greenhouse gas*** emissions;

        (ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its ***greenhouse gas*** emissions; and

        (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;

    (c) for ***Scope 2 greenhouse gas emissions*** disclosed in accordance with paragraph 28(b), disclose its location-based ***Scope 2 greenhouse gas emissions***, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's ***Scope 2 greenhouse gas emissions***; and

    (d) for ***Scope 3 greenhouse gas emissions*** disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of ***Scope 3 greenhouse gas emissions***, in accordance with the ***Scope 3 categories*** described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

Notes:

1. *An issuer is required to use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort when the issuer selects the measurement approach, inputs and assumptions it uses in measuring **Scope 3 greenhouse gas emissions**.*

2. *An issuer is permitted to measure its **greenhouse gas** emissions in accordance with paragraph 28 using information for reporting periods that are different from its own reporting period if that information is obtained from entities in its **value chain** with*

reporting periods that are different from the issuer's reporting period, on the condition that:

(a) *the issuer uses the most recent data available from those entities in its **value chain** without undue cost or effort to measure and disclose its **greenhouse gas** emissions;*

(b) *the length of the reporting periods is the same; and*

(c) *the issuer discloses the effects of significant events and changes in circumstances (relevant to its **greenhouse gas** emissions) that occur between the reporting dates of the entities in its **value chain** and the date of the issuer's ESG report.*

3. *Where an issuer's activities include asset management, commercial banking or insurance, the issuer is encouraged to disclose additional information about the issuer's Category 15 greenhouse gas emissions or those associated with its investments (**financed emissions**).*

Climate-related transition risks

30. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to ***climate-related transition risks***.

Climate-related physical risks

31. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to ***climate-related physical risks***.

Climate-related opportunities

32. An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.

Note: In preparing disclosures to meet the requirements in paragraphs 30 to 32, an issuer shall use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort.

Capital deployment

33. An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards ***climate-related risks and opportunitie*s**.

Internal carbon prices

34. An issuer shall disclose:

(a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and

(b) the price of each metric tonne of ***greenhouse gas*** emissions the issuer uses to assess the costs of its ***greenhouse gas*** emissions;

or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.

Remuneration

35. An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).

Industry-based metrics

36. An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular ***business models***, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with ***disclosure topics*** described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.

Climate-related targets

37. An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any ***greenhouse gas*** emissions targets. For each target, the issuer shall disclose:

    (a) the metric used to set the target;

    (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);

    (c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region);

    (d) the period over which the target applies;

    (e) the base period from which progress is measured;

    (f) milestones or interim targets (if any);

    (g) if the target is quantitative, whether the target is an absolute target or an intensity target; and

    (h) how the ***latest international agreement on climate change***, including jurisdictional commitments that arise from that agreement, has informed the target.

Note: Targets set may or may not be those set out under KPIs A1.5, A1.6, A2.3 and A2.4 of Part C of this Code.

38. An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:

(a) whether the target and the methodology for setting the target has been validated by a third party;

(b) the issuer's processes for reviewing the target;

(c) the metrics used to monitor progress towards reaching the target; and

(d) any revisions to the target and an explanation for those revisions.

39. An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.

40. For each ***greenhouse gas*** emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:

(a) which ***greenhouse gases*** are covered by the target;

(b) whether ***Scope 1***, ***Scope 2*** or ***Scope 3 greenhouse gas emissions*** are covered by the target;

(c) whether the target is a gross ***greenhouse gas*** emissions target or a net ***greenhouse gas*** emissions target. If the issuer discloses a net ***greenhouse gas*** emissions target, the issuer is also required to separately disclose its associated gross ***greenhouse gas*** emissions target;

(d) whether the target was derived using a sectoral decarbonisation approach; and

(e) the issuer's planned use of ***carbon credits*** to offset ***greenhouse gas*** emissions to achieve any net ***greenhouse gas*** emissions target. In explaining its planned use of ***carbon credits***, the issuer shall disclose:

(i) the extent to which, and how, achieving any net ***greenhouse gas*** emissions target relies on the use of ***carbon credits***;

(ii) which third-party scheme(s) will verify or certify the ***carbon credits***;

(iii) the type of ***carbon credit***, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and

(iv) any other factors necessary to enable an understanding of the credibility and integrity of the ***carbon credits*** the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).

Applicability of cross-industry metrics and industry-based metrics

41. In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).

Part B: Consequential changes to the Listing Rules

Chapter 13

EQUITY SECURITIES

CONTINUING OBLIGATIONS

…

Environmental and Social Matters

13.91 (1) The Environmental, Social and Governance ("ESG") Reporting ~~Guide~~<u>Code</u> in Appendix C2 comprises two levels of disclosure obligations: (a) mandatory disclosure requirements; and (b) "comply or explain" provisions.

(2) <u>An issuer's ESG report must comply with the provisions set out in Appendix C2 in relation to ESG reports.</u>~~For the relevant financial year in their annual reports or in separate ESG reports, issuers must:~~

~~(a) disclose the information required under the "Mandatory Disclosure Requirements" in Part B of the ESG Reporting Guide; and~~

~~(b) state whether they have complied with the "comply or explain" provisions set out in Part C of the ESG Reporting Guide.~~

...

(3) ~~Where the issuer deviates from the "comply or explain" provisions, it must give considered reasons in its ESG report.~~<u>[Repealed 1 January 2025]</u>

…

…

C. Corporate Governance/ Environmental, Social and Governance

Appendix C1

CORPORATE GOVERNANCE CODE

…

Linkage between Corporate Governance and Environmental, Social and Governance ("ESG")

Corporate governance provides the framework within which the board forms their decisions and build their businesses. The entire board should be focusing on creating long-term sustainable growth for shareholders and delivering long-term values to all stakeholders. An effective corporate governance structure allows issuers to have a better understanding of, evaluate and manage, risks and opportunities (including environmental and social risks and opportunities). The ESG Reporting ~~Guide~~<u>Code</u> set out in Appendix C2 to the Exchange Listing Rules provides a framework for issuers to, among other things, identify and consider what environmental risks and social risks may be material to them. The board should be responsible for effective governance and oversight of ESG matters, as well as assessment and management of material environmental and social risks. Issuers are required to disclose environmental and social matters in ESG reports in accordance with the ESG Reporting ~~Guide~~Code.

…

PART 2 – PRINCIPLES OF GOOD CORPORATE GOVERNANCE, CODE PROVISIONS AND RECOMMENDED BEST PRACTICES

…

D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

…

D.2 Risk management and internal control

Principle

The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to ESG (please refer to the ESG Reporting ~~Guide~~Code in Appendix C2 to the Exchange Listing Rules for further information). The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.

…

Appendix D2

DISCLOSURE OF FINANCIAL INFORMATION

…

Information in annual reports

…

6. …

6.4 Issuers must publish ESG reports in accordance with Rule 13.91 and the ESG Reporting ~~Guide~~Code contained in Appendix C2.

APPENDIX IV: AMENDMENTS TO GEM LISTING RULES

Part A: Appendix C2

Appendix C2

Environmental, Social and Governance Reporting ~~Guide~~Code

Part A: Introduction

The ~~Guide~~Code

1. This ~~Guide~~Environmental, Social and Governance Reporting Code comprises two levels of disclosure obligations: (a) mandatory disclosure requirements; and (b) "comply or explain" provisions.

2. (1) ~~Mandatory disclosure requirements are set out in~~ Part B of this ~~Guide~~Code sets out the mandatory disclosure requirements that must be included in all issuers' ESG reports. ~~An issuer must include such information for the period covered by the ESG report.~~

   (2) Part C of this Code sets out the "comply or explain" provisions that all issuers are required to report in their ESG reports on a "comply or explain" basis.

   (3) Part D of this Code sets out disclosure requirements regarding climate-related risks to which an issuer is exposed to, and climate-related opportunities available to the company with reference to the following core pillars:

   (a) **Governance** – the governance process, controls and procedures an issuer uses to monitor, manage and oversee climate-related risks and opportunities;

   (b) **Strategy** – an issuer's strategy for managing climate-related risks and opportunities;

   (c) **Risk management** – the process an issuer uses to identify, assess, prioritise and monitor climate-related risks and opportunities; and

   (d) **Metrics and targets** – the metrics and targets an issuer uses to understand its performance in relation to climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.

   Issuers shall refer to Part D of this Code for the applicable disclosure obligation and contents to be disclosed in the ESG reports in respect of each core pillar set out above.

3. ~~"Comply or explain" provisions are set out in Part C of this Guide.~~ An issuer must report on the "comply or explain" provisions of this ~~Guide~~Code. If the issuer does not report on one or more of these provisions, it must provide considered reasons in its ESG report. For guidance on the "comply or explain" approach, issuers may refer to the "What is "comply or explain"?" section of the Corporate Governance Code in

Appendix C1 of the GEM Listing Rules.

4. (1) An issuer must publish its ESG report on an annual basis and regarding the same period covered in its annual report. An ESG report may be presented as information in the issuer's annual report or in a separate report. Regardless of the format adopted, the ESG report must be published on the Exchange's website and the issuer's website.

(2) Where the ESG report does not form part of the issuer's annual report:

(a) To the extent permitted under all applicable laws and regulations, an issuer shall provide the ESG report to its shareholders using electronic means in accordance with and subject to the provisions set out in rule 16.04A.

(b) [Repealed 31 December 2023]

(c) [Repealed 31 December 2023]

(d) The issuer shall publish the ESG report at the same time as the publication of the annual report.

Overall Approach

5. This ~~Guide~~Code is organised into two ESG subject areas ("Subject Areas"): Environmental (Subject Area A) and Social (Subject Area B). Corporate governance is addressed separately in the Corporate Governance Code.

6. Each Subject Area has various aspects ("Aspects"). Each Aspect sets out general disclosures ("General Disclosures") and key performance indicators ("KPIs") for issuers to report on in order to demonstrate how they have performed.

7. In addition to the "comply or explain" matters set out in this ~~Guide~~Code, the Exchange encourages an issuer to identify and disclose additional ESG issues and KPIs that reflect the issuer's significant environmental and social impacts; or substantially influence the assessments and decisions of stakeholders. In assessing these matters, the issuer should engage stakeholders on an ongoing basis in order to understand their views and better meet their expectations.

8. This ~~Guide~~Code is not comprehensive and the issuer may refer to existing international ESG reporting guidance for its relevant industry or sector. The issuer may adopt international ESG reporting guidance, including the IFRS Sustainability Disclosure Standards, so long as it includes comparable disclosures~~ provisions~~ to those required under ~~the "comply or explain" provisions set out in~~ this ~~Guide~~Code. ESG reports prepared in compliance with the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures are considered to have complied with Part D of this Code.

9. The issuer may seek independent assurance to strengthen the credibility of the ESG information disclosed. Where independent assurance is obtained, the issuer should describe the level, scope and processes adopted for the assurance given clearly in the ESG report.

10. The board has overall responsibility for an issuer's ESG strategy and reporting.

Reporting Principles

11. The following Reporting Principles underpin the preparation of an ESG report, informing the content of the report and how information is presented. An issuer should follow these Reporting Principles in the preparation of an ESG report:

    (1) **Materiality:** The threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported. <u>For the purpose of Part D of this Code, an issuer must disclose information about climate-related risks and opportunities that could reasonably be expected to affect its cash flows, its access to finance or cost of capital over the short, medium or long term.</u>

    (2) **Quantitative:** KPIs in respect of historical data need to be measurable. The issuer should set targets (which may be actual numerical figures or directional, forward-looking statements) to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.

    (3) **Balance:** The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

    (4) **Consistency:** The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.

Complementing ESG discussions in the Business Review Section of the Directors' Report

12. Pursuant to rule 18.07A(2)(d), an issuer's directors' report for a financial year must contain a business review in accordance with Schedule 5 to the Companies Ordinance. The business review must include, to the extent necessary for an understanding of the development, performance or position of the issuer's business:

    (i) a discussion of the issuer's environmental <u>(including climate-related) </u>policies and performance;

    (ii) a discussion of the issuer's compliance with the relevant laws and regulations that have a significant impact on the issuer; and

    (iii) an account of the issuer's key relationships with its employees, customers and suppliers and others that have a significant impact on the issuer and on which the issuer's success depends.

    This ~~Guide~~<u>Code</u> should complement the content requirements of the directors' report, as it calls for issuers to disclose information in respect of specific ESG areas.

Part B: Mandatory Disclosure Requirements

<u>This part sets out disclosure requirements that must be included in an issuer's ESG report on a mandatory basis.</u>

Governance Structure

13. A statement from the board containing the following elements:

(i) a disclosure of the board's oversight of ESG issues;

(ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and

(iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.

Reporting Principles

14. A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:

Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.

Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.

Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.

Reporting Boundary

15. A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.

Part C: "Comply or explain" Provisions

<u>This part sets out provisions to be reported on by an issuer in the ESG report on a "comply or explain" basis.</u>

<table>
<tr><th colspan="2">Subject Areas, Aspects, General Disclosures and KPIs</th></tr>
<tr><td colspan="2">A. Environmental</td></tr>
<tr><td>Aspect A1: Emissions</td><td>General Disclosure

Information on:

(a) the policies; and

(b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to air <s>and greenhouse gas </s>emissions, discharges into water and</td></tr>
</table>

	land, and generation of hazardous and non-hazardous waste. *Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations.* ~~*Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.*~~ *Hazardous wastes are those defined by national regulations.*	
	KPI A1.1	The types of emissions and respective emissions data.
	KPI A1.2	~~Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).~~[Repealed 1 January 2025]
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. *Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.*	
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.

	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.
Aspect A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.

<table>
<tr><th colspan="3">Subject Areas, Aspects, General Disclosures and KPIs</th></tr>
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<tr><td colspan="3">Employment and Labour Practices</td></tr>
<tr><td rowspan="3">Aspect B1: Employment</td><td colspan="2">General Disclosure

Information on:

(a) the policies; and

(b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</td></tr>
<tr><td>KPI B1.1</td><td>Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.</td></tr>
<tr><td>KPI B1.2</td><td>Employee turnover rate by gender, age group and geographical region.</td></tr>
<tr><td rowspan="4">Aspect B2: Health and Safety</td><td colspan="2">General Disclosure

Information on:

(a) the policies; and

(b) compliance with relevant laws and regulations that have a significant impact on the issuer

relating to providing a safe working environment and protecting employees from occupational hazards.</td></tr>
<tr><td>KPI B2.1</td><td>Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</td></tr>
<tr><td>KPI B2.2</td><td>Lost days due to work injury.</td></tr>
<tr><td>KPI B2.3</td><td>Description of occupational health and safety measures adopted, and how they are implemented and monitored.</td></tr>
<tr><td>Aspect B3: Development and Training</td><td colspan="2">General Disclosure

Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.

Note: Training refers to vocational training. It may include internal and external courses paid by the employer.</td></tr>
</table>

	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).
	KPI B3.2	The average training hours completed per employee by gender and employee category.
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	
	KPI B5.1	Number of suppliers by geographical region.
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.
Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters	

	relating to products and services provided and methods of redress.	
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.
	KPI B6.4	Description of quality assurance process and recall procedures.
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.
Aspect B7: Anti-corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.
	KPI B7.3	Description of anti-corruption training provided to directors and staff.
Community		
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.

Part D: Climate-related Disclosures

Disclosure Obligation

16. Subject to paragraph 17, an issuer is encouraged to report on the climate-related disclosures set out in this part in the ESG report on a voluntary basis.

17. An issuer shall disclose its ***Scope 1 greenhouse gas emissions*** and ***Scope 2 greenhouse gas emissions*** pursuant to paragraphs 28(a), 28(b) and 29 on a mandatory basis.

Definitions and Guidance

18. (1) In this part, unless otherwise specified, terms in bold and italics shall have the meaning ascribed to them in Appendix A of the IFRS S2 Climate-related Disclosures.

(2) When preparing disclosures pursuant to the provisions of this part, issuers should refer to (i) the application guidance set out in Appendix B of the IFRS S2 Climate-related Disclosures; and (ii) implementation guidance issued by the Exchange on the Exchange's website, as amended from time to time.

Climate-related Disclosures

(I) Governance

19. An issuer shall disclose information about:

(a) the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of ***climate-related risks and opportunities***. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:

Note: The responsibilities of such body(s) or individual(s) should be reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s).

(i) how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to ***climate-related risks and opportunities***;

(ii) how and how often the body(s) or individual(s) is informed about ***climate-related risks and opportunities***;

(iii) how the body(s) or individual(s) takes into account ***climate-related risks and opportunities*** when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;

(iv) how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to ***climate-related risks and opportunities*** (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph

35); and

(b) management's role in the governance processes, controls and procedures used to monitor, manage and oversee ***climate-related risks and opportunities***, including information about:

(i) whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and

(ii) whether management uses controls and procedures to support the oversight of ***climate-related risks and opportunities*** and, if so, how these controls and procedures are integrated with other internal functions.

Note: In preparing disclosures to fulfil the requirements in this paragraph 19, an issuer shall avoid unnecessary duplication with disclosures made pursuant to paragraph 13 of this Code. For example, although an issuer shall provide the information required by this paragraph 19, if oversight of ESG-related (including climate-related) risks and opportunities is managed on an integrated basis, the issuer would avoid duplication by providing integrated governance disclosures instead of separate disclosures for each ESG-related risk and opportunity.

(II) Strategy

Climate-related risks and opportunities

20. An issuer shall disclose information to enable an understanding of ***climate-related risks and opportunities*** that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:

(a) describe ***climate-related risks and opportunities*** that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term;

(b) explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a ***climate-related physical risk*** or ***climate-related transition risk***;

(c) specify, for each ***climate-related risk and opportunity*** the issuer has identified, over which time horizons – short, medium or long term – the effects of each ***climate-related risk and opportunity*** could reasonably be expected to occur; and

(d) explain how the issuer defines 'short term', 'medium term' and 'long term' and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.

Notes:

*1. In identifying the **climate-related risks and opportunities** pursuant to paragraph 20, an issuer:*

(a) *shall use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions; and*

(b) *is encouraged to refer to and consider the applicability of the industry-based **disclosure topics** defined in IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures.*

2. (a) If an issuer determines that disclosing information about a climate-related opportunity pursuant to any provision under this Part D is commercially sensitive in the limited circumstances set out in this note 2(b) below, the issuer is permitted to omit disclosure of such information.

(b) An issuer qualifies for the exemption specified in this note 2(a) above if, and only if:

(i) information about the climate-related opportunity is not already publicly available;

(ii) disclosure of that information could reasonably be expected to prejudice seriously the economic benefits the issuer would otherwise be able to realise in pursuing the opportunity; and

(iii) the issuer has determined that it is impossible to disclose that information in a manner - for example, at an aggregated level - that would enable the issuer to meet the objectives of the disclosure requirement without prejudicing seriously the economic benefits the issuer would otherwise be able to realise in pursuing the opportunity.

(c) If an issuer elects to use the exemption specified in this note 2(a) above, the issuer shall, for each item of information omitted:

(i) disclose the fact that it has used the exemption; and

(ii) reassess, at each reporting date, whether the information qualifies for the exemption.

Business model and value chain

21. An issuer shall disclose information that enables an understanding of the current and anticipated effects of ***climate-related risks and opportunities*** on the issuer's ***business model*** and ***value chain***. Specifically, the issuer shall disclose:

(a) a description of the current and anticipated effects of ***climate-related risks and opportunities*** on the issuer's ***business model*** and ***value chain***; and

(b) a description of where in the issuer's ***business model*** and ***value chain climate-related risks and opportunities*** are concentrated (for example, geographical areas, facilities and types of assets).

*Note: An issuer shall use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort to determine the scope of its **value chain**, including its breadth and composition.*

Strategy and decision-making

22. An issuer shall disclose information that enables an understanding of the effects of ***climate-related risks and opportunities*** on its strategy and decision-making. Specifically, the issuer shall disclose:

    (a) information about how the issuer has responded to, and plans to respond to, ***climate-related risks and opportunities*** in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:

        (i) current and anticipated changes to the issuer's ***business model***, including its resource allocation, to address ***climate-related risks and opportunities***;

        (ii) current and anticipated adaptation and mitigation efforts (whether direct or indirect);

        (iii) any ***climate-related transition plan*** the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a ***climate-related transition plan***;

        (iv) how the issuer plans to achieve any climate-related targets (including any ***greenhouse gas*** emissions targets (if any)), described in accordance with paragraphs 37 to 40; and

    (b) information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).

23. An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).

Financial position, financial performance and cash flows

Current financial effect

24. An issuer shall disclose qualitative and quantitative information about:

    (a) how ***climate-related risks and opportunities*** have affected its financial position, financial performance and cash flows for the reporting period; and

    (b) the ***climate-related risks and opportunities*** identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.

Notes:

1. *Issuers should account for climate-related matters in the financial statements in accordance with the requirements under HKFRS, IFRS, CASBE or the alternative overseas financial reporting standard acceptable to the Exchange.*

2. *Where the quantitative information disclosed pursuant to paragraph 24 is not expressed as a line item in the financial statements, the issuer shall explain how such information is reflected in its financial statements (e.g. identifying the relevant financial item).*

Anticipated financial effect

25. The issuer shall provide qualitative and quantitative disclosures about:

(a) how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage ***climate-related risks and opportunities***, taking into consideration:

(i) its investment and disposal plans; and

(ii) its planned sources of funding to implement its strategy; and

(b) how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage ***climate-related risks and opportunities***.

Notes:

1. *In providing quantitative information about current or anticipated financial effects, an issuer may disclose a single amount or a range.*

2. *In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity, an issuer shall:*

(a) use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort; and

(b) use an approach that is commensurate with the skills, capabilities and resources that are available to the issuer for preparing those disclosures.

3. *An issuer need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity if the issuer determines that:*

(a) those effects are not separately identifiable; or

(b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful.

4. *In addition, an issuer need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if the issuer does not have the skills, capabilities or resources to provide that quantitative information.*

5. *If an issuer determines that it need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity applying the criteria set out in note 3 or 4 above, the issuer shall:*

(a) explain why it has not provided quantitative information;

(b) provide qualitative information about those financial effects, including identifying line items, totals and subtotals within the related financial statements that are

likely to be affected, or have been affected, by that climate-related risk or opportunity; and

(c) *provide quantitative information about the combined financial effects of that climate-related risk or opportunity with other climate-related risks or opportunities and other factors unless the issuer determines that quantitative information about the combined financial effects would not be useful.*

Climate resilience

26. An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and ***business model*** to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified ***climate-related risks and opportunities***. An issuer shall use climate-related scenario analysis to assess its ***climate resilience*** using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:

(a) the issuer's assessment of its ***climate resilience*** as at the reporting date, which shall enable an understanding of:

(i) the implications, if any, of the issuer's assessment for its strategy and ***business model***, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis;

(ii) the significant areas of uncertainty considered in the issuer's assessment of its ***climate resilience***; and

(iii) the issuer's capacity to adjust, or adapt its strategy and ***business model*** to climate change over the short, medium or long term;

(b) how and when the climate-related scenario analysis was carried out, including:

(i) information about the inputs used, including:

(1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios;

(2) whether the analysis included a diverse range of climate-related scenarios;

(3) whether the climate-related scenarios used for the analysis are associated with ***climate-related transition risks*** or ***climate-related physical risks***;

(4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the ***latest international agreement on climate change***;

(5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;

(6) time horizons the issuer used in the analysis; and

(7) what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis);

(ii) the key assumptions the issuer made in the analysis; and

(iii) the reporting period in which the climate-related scenario analysis was carried out.

Note: An issuer shall determine an approach to climate-related scenario analysis that enables it to consider all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort. The determination of the approach shall be informed by the assessments of the issuer's exposure to ***climate-related risks and opportunities*** *and its available skills, capabilities and resources.*

(III) Risk Management

27. An issuer shall disclose information about:

(a) the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:

(i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes);

(ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks;

(iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria);

(iv) whether and how the issuer prioritises climate-related risks relative to other types of risks;

(v) how the issuer monitors climate-related risks; and

(vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period;

(b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and

(c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring ***climate-related risks and opportunities*** are integrated into and inform the issuer's overall risk management process.

Note: In preparing disclosures to meet the requirements in this paragraph 27, an issuer shall avoid unnecessary duplication with disclosures made pursuant to paragraphs 13(ii) and 14 (Materiality) of this Code. For example, although an issuer shall provide the information required by this paragraph 27, if oversight of ESG-related (including climate-related) risks and opportunities is managed on an integrated basis, the issuer would avoid duplication by providing integrated risk management disclosures instead of separate disclosures for each ESG-related risk and opportunity.

(IV) Metrics and Targets

Greenhouse gas emissions

28. An issuer shall disclose its absolute gross ***greenhouse gas*** emissions generated during the reporting period, expressed as metric tons of ***CO_2 equivalent***, classified as:

    (a) ***Scope 1 greenhouse gas emissions***;

    (b) ***Scope 2 greenhouse gas emissions***; and

    (c) ***Scope 3 greenhouse gas emissions***.

29. An issuer shall:

    (a) measure its ***greenhouse gas*** emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring ***greenhouse gas*** emissions;

    (b) disclose the approach it uses to measure its ***greenhouse gas*** emissions including:

        (i) the measurement approach, inputs and assumptions the issuer uses to measure its ***greenhouse gas*** emissions;

        (ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its ***greenhouse gas*** emissions; and

        (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;

    (c) for ***Scope 2 greenhouse gas emissions*** disclosed in accordance with paragraph 28(b), disclose its location-based ***Scope 2 greenhouse gas emissions***, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's ***Scope 2 greenhouse gas emissions***; and

    (d) for ***Scope 3 greenhouse gas emissions*** disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of ***Scope 3 greenhouse gas emissions***, in accordance with the ***Scope 3 categories*** described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).

Notes:

1. *An issuer is required to use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort when the issuer selects the measurement approach, inputs and assumptions it uses in measuring* ***Scope 3 greenhouse gas emissions.***

2. *An issuer is permitted to measure its* ***greenhouse gas*** *emissions in accordance with paragraph 28 using information for reporting periods that are different from its own reporting period if that information is obtained from entities in its* ***value chain*** *with*

reporting periods that are different from the issuer's reporting period, on the condition that:

(a) *the issuer uses the most recent data available from those entities in its **value chain** without undue cost or effort to measure and disclose its **greenhouse gas** emissions;*

(b) *the length of the reporting periods is the same; and*

(c) *the issuer discloses the effects of significant events and changes in circumstances (relevant to its **greenhouse gas** emissions) that occur between the reporting dates of the entities in its **value chain** and the date of the issuer's ESG report.*

3. *Where an issuer's activities include asset management, commercial banking or insurance, the issuer is encouraged to disclose additional information about the issuer's Category 15 greenhouse gas emissions or those associated with its investments (**financed emissions**).*

Climate-related transition risks

30. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to ***climate-related transition risks***.

Climate-related physical risks

31. An issuer shall disclose the amount and percentage of assets or business activities vulnerable to ***climate-related physical risks***.

Climate-related opportunities

32. An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.

Note: In preparing disclosures to meet the requirements in paragraphs 30 to 32, an issuer shall use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort.

Capital deployment

33. An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards ***climate-related risks and opportunities***.

Internal carbon prices

34. An issuer shall disclose:

(a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and

(b) the price of each metric tonne of ***greenhouse gas*** emissions the issuer uses to assess the costs of its ***greenhouse gas*** emissions;

or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.

Remuneration

35. An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).

Industry-based metrics

36. An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular ***business models***, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with ***disclosure topics*** described in IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.

Climate-related targets

37. An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any ***greenhouse gas*** emissions targets. For each target, the issuer shall disclose:

(a) the metric used to set the target;

(b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);

(c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region);

(d) the period over which the target applies;

(e) the base period from which progress is measured;

(f) milestones or interim targets (if any);

(g) if the target is quantitative, whether the target is an absolute target or an intensity target; and

(h) how the ***latest international agreement on climate change***, including jurisdictional commitments that arise from that agreement, has informed the target.

Note: Targets set may or may not be those set out under KPIs A1.5, A1.6, A2.3 and A2.4 of Part C of this Code.

38. An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:

(a) whether the target and the methodology for setting the target has been validated by a third party;

(b) the issuer's processes for reviewing the target;

(c) the metrics used to monitor progress towards reaching the target; and

(d) any revisions to the target and an explanation for those revisions.

39. An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.

40. For each ***greenhouse gas*** emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:

(a) which ***greenhouse gases*** are covered by the target;

(b) whether ***Scope 1***, ***Scope 2*** or ***Scope 3 greenhouse gas emissions*** are covered by the target;

(c) whether the target is a gross ***greenhouse gas*** emissions target or a net ***greenhouse gas*** emissions target. If the issuer discloses a net ***greenhouse gas*** emissions target, the issuer is also required to separately disclose its associated gross ***greenhouse gas*** emissions target;

(d) whether the target was derived using a sectoral decarbonisation approach; and

(e) the issuer's planned use of ***carbon credits*** to offset ***greenhouse gas*** emissions to achieve any net ***greenhouse gas*** emissions target. In explaining its planned use of ***carbon credits***, the issuer shall disclose:

(i) the extent to which, and how, achieving any net ***greenhouse gas*** emissions target relies on the use of ***carbon credits***;

(ii) which third-party scheme(s) will verify or certify the ***carbon credits***;

(iii) the type of ***carbon credit***, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and

(iv) any other factors necessary to enable an understanding of the credibility and integrity of the ***carbon credits*** the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).

Applicability of cross-industry metrics and industry-based metrics

41. In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).

Part B: Consequential changes to the GEM Listing Rules

Chapter 17

EQUITY SECURITIES

CONTINUING OBLIGATIONS

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Environmental and Social Matters

17.103 (1) The Environmental, Social and Governance ("ESG") Reporting ~~Guide~~Code in Appendix C2 comprises two levels of disclosure obligations: (a) mandatory disclosure requirements; and (b) "comply or explain" provisions.

(2) An issuer's ESG report must comply with the provisions set out in Appendix C2 in relation to ESG reports.~~For the relevant financial year in their annual reports or in separate ESG reports, issuers must:~~

~~(a) disclose the information required under the "Mandatory Disclosure Requirements" in Part B of the ESG Reporting Guide; and~~

~~(b) state whether they have complied with the "comply or explain" provisions set out in Part C of the ESG Reporting Guide.~~

(3) ~~Where the issuer deviates from the "comply or explain" provisions, it must give considered reasons in its ESG report.~~[Repealed 1 January 2025]

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Chapter 18

EQUITY SECURITIES

…

Information to accompany directors' report and annual financial statements

…

18.07 …

Notes: 1 …

…

5 Issuers must publish ESG reports in accordance with Rule 17.103 and the ESG Reporting ~~Guide~~Code contained in Appendix C2.

…

C. Corporate Governance/ Environmental, Social and Governance

Appendix C1

CORPORATE GOVERNANCE CODE

…

Linkage between Corporate Governance and Environmental, Social and Governance (“ESG”)

Corporate governance provides the framework within which the board forms their decisions and build their businesses. The entire board should be focusing on creating long-term sustainable growth for shareholders and delivering long-term values to all stakeholders. An effective corporate governance structure allows issuers to have a better understanding of, evaluate and manage, risks and opportunities (including environmental and social risks and opportunities). The ESG Reporting ~~Guide~~Code set out in Appendix C2 to the GEM Listing Rules provides a framework for issuers to, among other things, identify and consider what environmental risks and social risks may be material to them. The board should be responsible for effective governance and oversight of it, as well as assessment and management of material environmental and social risks. Issuers are required to disclose environmental and social matters in ESG reports in accordance with the ESG Reporting ~~Guide~~Code.

…

PART 2 – PRINCIPLES OF GOOD CORPORATE GOVERNANCE, CODE PROVISIONS AND RECOMMENDED BEST PRACTICES

…

D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

…

D.2 Risk management and internal control

Principle

The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer’s strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to ESG (please refer to the ESG Reporting ~~Guide~~Code in Appendix C2 to the GEM Listing Rules for further information). The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.

APPENDIX V: COMPARISON TABLE - ISSB CLIMATE STANDARD TO APPENDIX C2

ISSB Climate-related Disclosures	Relevant paragraph under Appendix C2	Remarks
Objective The objective of IFRS S2 Climate-related Disclosures is to require an entity to disclose information about its climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. [Paragraph 1]	N/A	Not HKEX's practice to set out the objective(s) provisions in the Rules.
This Standard requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term. For the purposes of this Standard, these risks and opportunities are collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. [Paragraph 2]	For the purpose of Part D of this Code, an issuer must disclose information about climate-related risks and opportunities that could reasonably be expected to affect its cash flows, its access to finance or cost of capital over the short, medium or long term. [Paragraph 11(i)]	Aligned.
This Standard applies to: (a) Climate-related risks to which the entity is exposed, which are: (i) climate-related physical risks; and (ii) climate-related transition risks; and (b) climate-related opportunities available to the entity [Paragraph 3] Climate-related risks and opportunities that could not reasonably be expected to affect an entity's prospects are outside the scope of this Standard. [Paragraph 4]	Part D of this Code sets out disclosure requirements regarding climate-related risks to which an issuer is exposed, and climate-related opportunities available to the company with reference to the following core pillars: (a) Governance… (b) Strategy… (c) Risk management... (d) Metrics and targets… [Paragraph 2(3)]	Aligned. Issuers may also disclose additional information beyond those required under the ESG Code if they consider appropriate (See paragraph 8 and 11(i) of the ESG Code).

APPENDIX V: COMPARISON TABLE - ISSB CLIMATE STANDARD TO APPENDIX C2

GOVERNANCE		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
The objective of climate-related financial disclosures on governance is to enable users of general purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities. [Paragraph 5]	Governance – the governance process, controls and procedures an issuer uses to monitor, manage and oversee climate-related risks and opportunities; [Paragraph 2(3)(a)]	Aligned.
To achieve this objective, an entity shall disclose information about: the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the entity shall identify that body(s) or individual(s) and disclose information about: [Paragraph 6(a)]	An issuer shall disclose information about: the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about: [Paragraph 19(a)]	Aligned.
how responsibilities for climate-related risks and opportunities are reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s); [Paragraph 6(a)(i)]	The responsibilities of such body(s) or individual(s) should be reflected in the terms of reference, mandates, role descriptions and other related policies applicable to that body(s) or individual(s). [Note to paragraph 19(a)]	Aligned.
how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities; [Paragraph 6(a)(ii)]	how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities; [Paragraph 19(a)(i)]	Aligned.

GOVERNANCE		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities; [Paragraph 6(a)(iii)]	how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities; [Paragraph 19(a)(ii)]	Aligned.
how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; and [Paragraph 6(a)(iv)]	how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities; [Paragraph 19(a)(iii)]	Aligned.
how the body(s) or individual(s) oversees the setting of targets related to climate-related risks and opportunities, and monitors progress towards those targets (see paragraphs 33–36), including whether and how related performance metrics are included in remuneration policies (see paragraph 29(g)). [Paragraph 6(a)(v)]	how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities (see paragraphs 37 to 40), including whether and how related performance metrics are included in remuneration policies (see paragraph 35); and [Paragraph 19a(iv)]	Aligned.
management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about: [Paragraph 6(b)]	management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about: [Paragraph 19(b)]	Aligned.

APPENDIX V: COMPARISON TABLE - ISSB CLIMATE STANDARD TO APPENDIX C2

GOVERNANCE		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and [Paragraph 6(b)(i)]	whether the role is delegated to a specific management level position or management-level committee and how oversight is exercised over that position or committee; and [Paragraph 19(b)(i)]	Aligned.
whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions. [Paragraph 6(b)(ii)]	whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions. [Paragraph 19(b)(ii)]	Aligned.
In preparing disclosures to fulfil the requirements in paragraph 6, an entity shall avoid unnecessary duplication in accordance with IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) (see paragraph B42(b) of IFRS S1). For example, although an entity shall provide the information required by paragraph 6, if oversight of sustainability-related risks and opportunities is managed on an integrated basis, the entity would avoid duplication by providing integrated governance disclosures instead of separate disclosures for each sustainability-related risk and opportunity. [Paragraph 7]	In preparing disclosures to fulfil the requirements in this paragraph 19, an issuer shall avoid unnecessary duplication with disclosures made pursuant to paragraph 13 of this Code. For example, although an issuer shall provide the information required by this paragraph 19, if oversight of ESG-related (including climate-related) risks and opportunities is managed on an integrated basis, the issuer would avoid duplication by providing integrated governance disclosures instead of separate disclosures for each ESG-related risk and opportunity. [Note to paragraph 19]	Aligned.

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
The objective of climate-related financial disclosures on strategy is to enable users of general purpose financial reports to understand an entity's strategy for managing climate-related risks and opportunities. [Paragraph 8]	Strategy – an issuer's strategy for managing climate-related risks and opportunities; [Paragraph 2(3)(b)]	Aligned.
Specifically, an entity shall disclose information to enable users of general purpose financial reports to understand: (a) the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects (see paragraphs 10–12); (b) the current and anticipated effects of those climate-related risks and opportunities on the entity's business model and value chain (see paragraph 13); (c) the effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan (see paragraph 14); (d) the effects of those climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those climate-related risks and opportunities have been factored into the entity's financial planning (see paragraphs 15–21); and (e) the climate resilience of the entity's strategy and its business model to climate-related changes, developments and	N/A	Not HKEX's practice to set out the objective(s) of a provision in the Rules.

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
uncertainties, taking into consideration the entity's identified climate-related risks and opportunities (see paragraph 22). [Paragraph 9]		
Climate-related risks and opportunities An entity shall disclose information that enables users of general purpose financial reports to understand the climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. Specifically, the entity shall: [Paragraph 10]	**Climate-related risks and opportunities** An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall: [Paragraph 20]	Aligned.
describe climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects; [Paragraph 10(a)]	describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term; [Paragraph 20(a)]	Aligned. The Commercial Sensitivity Relief is available for disclosure of climate-related opportunities (See note 2 to paragraph 20 of ESG Code and p.18 of Implementation Guidance (**IG**)). Also see paragraphs B34-37 of the ISSB General Standard.

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
explain, for each climate-related risk the entity has identified, whether the entity considers the risk to be a climate-related physical risk or climate-related transition risk; [Paragraph 10(b)]	explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk; [Paragraph 20(b)]	Aligned.
specify, for each climate-related risk and opportunity the entity has identified, over which time horizons—short, medium or long term—the effects of each climate-related risk and opportunity could reasonably be expected to occur; and [Paragraph 10(c)]	specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons – short, medium or long term – the effects of each climate-related risk and opportunity could reasonably be expected to occur; and [Paragraph 20(c)]	Aligned.
explain how the entity defines ‘short term’, ‘medium term’ and ‘long term’ and how these definitions are linked to the planning horizons used by the entity for strategic decision-making. [Paragraph 10(d)]	explain how the issuer defines ‘short term’, ‘medium term’ and ‘long term’ and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making. [Paragraph 20(d)]	Aligned.
In identifying the climate-related risks and opportunities that could reasonably be expected to affect an entity’s prospects, the entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions. [Paragraph 11]	In identifying the climate-related risks and opportunities pursuant to paragraph 20, an issuer shall use all reasonable and supportable information that is available to it at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions; and [Note 1(a) to paragraph 20]	Aligned.
In identifying the climate-related risks and opportunities that could reasonably be expected to affect an entity’s prospects, the entity shall refer to and consider the applicability of the industry-based	[In identifying the climate-related risks and opportunities pursuant to paragraph 20, an issuer] is encouraged to refer to and consider the applicability of the industry-based disclosure topics defined in IFRS’s	Aligned.

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
disclosure topics defined in the Industry-based Guidance on Implementing IFRS S2. [Paragraph 12]	Industry-based Guidance on implementing Climate-related Disclosures. [Note 1(b) to paragraph 20]	
Business model and value chain An entity shall disclose information that enables users of general purpose financial reports to understand the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain. Specifically, the entity shall disclose: [Paragraph 13]	**Business model and value chain** An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose: [Paragraph 21]	Aligned. The determination of the scope of value chain by an issuer is subject to the Reasonable Information Relief (See note to paragraph 21 of ESG Code and pages17 and 33 of IG). Also see paragraph B6(b) of the ISSB General Standard and paragraph B36 of the ISSB Climate Standard).
a description of the current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain; and [Paragraph 13(a)]	a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and [Paragraph 21(a)]	Aligned.

APPENDIX V: COMPARISON TABLE - ISSB CLIMATE STANDARD TO APPENDIX C2

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
A description of where in the entity's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets). [Paragraph 13(b)]	a description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets). [Paragraph 21(b)]	Aligned.
Strategy and decision-making An entity shall disclose information that enables users of general purpose financial reports to understand the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the entity shall disclose: [Paragraph 14]	**Strategy and decision-making** An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose: [Paragraph 22]	Aligned.
Information about how the entity has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the entity plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the entity shall disclose information about: [Paragraph 14(a)]	information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about: [Paragraph 22(a)]	Aligned.
Current and anticipated changes to the entity's business model, including its resource allocation, to address climate-related risks and opportunities (for example, these changes could include plans to manage or decommission carbon-, energy- or water-intensive operations; resource allocations resulting from demand or supply-chain changes; resource allocations arising from business development through capital expenditure or additional expenditure on research and development; and acquisitions or divestments)	current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities; [Paragraph 22(a)(i)]	Aligned. The IG sets out examples of changes to an issuer's business model (see page 60 of IG).

APPENDIX V: COMPARISON TABLE - ISSB CLIMATE STANDARD TO APPENDIX C2

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
[Paragraph 14(a)(i)]		
Current and anticipated direct mitigation and adaptation efforts (for example, through changes in production processes or equipment, relocation of facilities, workforce adjustments, and changes in product specifications); [Paragraph 14(a)(ii)] current and anticipated indirect mitigation and adaptation efforts (for example, through working with customers and supply chains); [Paragraph 14(a)(iii)]	current and anticipated adaptation and mitigation efforts (whether direct or indirect); [Paragraph 22(a)(ii)]	Aligned. The IG sets out examples of adaptation and mitigation efforts (see page 60 of IG).
Any climate-related transition plan the entity has, including information about key assumptions used in developing its transition plan, and dependencies on which the entity's transition plan relies; and [Paragraph 14(a)(iv)]	any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; [Paragraph 22(a)(iii)]	Aligned. Requirement of negative statement clarifies that issuers are only required to disclose their climate-related transition plan if they have one.
How the entity plans to achieve any climate-related targets, including any greenhouse gas emissions targets, described in accordance with paragraphs 33–36. [Paragraph 14(a)(v)]	how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40; and [Paragraph 22(a)(iv)]	Aligned.

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
Information about how the entity is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 14(a). [Paragraph 14(b)]	information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a). [Paragraph 22(b)]	Aligned.
Quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 14(a). [Paragraph 14(c)]	An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a). [Paragraph 23]	Aligned.
Financial position, financial performance and cash flows An entity shall disclose information that enables users of general purpose financial reports to understand: [Paragraph 15] the effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period (current financial effects); and [Paragraph 15(a)] the anticipated effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how climate-related risks and opportunities are included in the entity's financial planning (anticipated financial effects). [Paragraph 15(b)]	N/A	Not HKEX's practice to set out the objective(s) of a provision in the Rules.

APPENDIX V: COMPARISON TABLE - ISSB CLIMATE STANDARD TO APPENDIX C2

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
Specifically, an entity shall disclose quantitative and qualitative information about: [Paragraph 16]	<u>Current financial effect</u> An issuer shall disclose qualitative and quantitative information about: [Paragraph 24]	Aligned.
how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; [Paragraph 16(a)]	how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and [Paragraph 24(a)]	Aligned.
the climate-related risks and opportunities identified in paragraph 16(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements; [Paragraph 16(b)]	the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements. [Paragraph 24(b)]	Aligned.
how the entity expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration: [Paragraph 16(c)]	<u>Anticipated financial effect</u> The issuer shall provide qualitative and quantitative disclosures about: [Paragraph 25] how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration: [Paragraph 25(a)]	Aligned.

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
its investment and disposal plans (for example, plans for capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas, and asset retirements), including plans the entity is not contractually committed to; and [Paragraph 16(c)(i)]	its investment and disposal plans; and [Paragraph 25(a)(i)]	Aligned. The IG sets out examples of investment and disposal plans (see pages 55 to 56 of IG).
its planned sources of funding to implement its strategy; and [Paragraph 16(c)(ii)]	its planned sources of funding to implement its strategy; and [Paragraph 25(a)(ii)]	Aligned.
how the entity expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities (for example, increased revenue from products and services aligned with a lower-carbon economy; costs arising from physical damage to assets from climate events; and expenses associated with climate adaptation or mitigation). [Paragraph 16(d)]	how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities. [Paragraph 25(b)]	Aligned. The IG sets out examples of changes in financial performance and cash flows (see pages 55 to 56 of IG).
In providing quantitative information, an entity may disclose a single amount or a range. [Paragraph 17]	In providing quantitative information about current or anticipated financial effects, an issuer may disclose a single amount or a range. [Note 1 to paragraph 25]	Aligned.
In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity, an entity shall:	In preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity, an issuer shall:	Aligned.

APPENDIX V: COMPARISON TABLE - ISSB CLIMATE STANDARD TO APPENDIX C2

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
(a) use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort; and (b) use an approach that is commensurate with the skills, capabilities and resources that are available to the entity for preparing those disclosures. [Paragraph 18]	(a) use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort; and (b) use an approach that is commensurate with the skills, capabilities and resources that are available to the issuer for preparing those disclosures. [Note 2 to paragraph 25]	
An entity need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity if the entity determines that: (a) those effects are not separately identifiable; or (b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful. [Paragraph 19]	An issuer need not provide quantitative information about the current or anticipated financial effects of a climate-related risk or opportunity if the issuer determines that: (a) those effects are not separately identifiable; or (b) the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful. [Note 3 to paragraph 25]	Aligned
In addition, an entity need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if the entity does not have the skills, capabilities or resources to provide that quantitative information. [Paragraph 20]	In addition, an issuer need not provide quantitative information about the anticipated financial effects of a climate-related risk or opportunity if the issuer does not have the skills, capabilities or resources to provide that quantitative information. [Note 4 to paragraph 25]	Aligned.
If an entity determines that it need not provide quantitative information about the current or anticipated financial effects of a	If an issuer determines that it need not provide quantitative information about the current or anticipated financial effects of a climate-related	Aligned.

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
climate-related risk or opportunity applying the criteria set out in paragraphs 19–20, the entity shall: (a) explain why it has not provided quantitative information; (b) provide qualitative information about those financial effects, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that climate-related risk or opportunity; and (c) provide quantitative information about the combined financial effects of that climate-related risk or opportunity with other climate-related risks or opportunities and other factors unless the entity determines that quantitative information about the combined financial effects would not be useful. [Paragraph 21]	risk or opportunity applying the criteria set out in note 3 or 4 above, the issuer shall: (a) explain why it has not provided quantitative information; (b) provide qualitative information about those financial effects, including identifying line items, totals and subtotals within the related financial statements that are likely to be affected, or have been affected, by that climate-related risk or opportunity; and (c) provide quantitative information about the combined financial effects of that climate-related risk or opportunity with other climate-related risks or opportunities and other factors unless the issuer determines that quantitative information about the combined financial effects would not be useful. [Note 5 to paragraph 25]	
Climate resilience An entity shall disclose information that enables users of general purpose financial reports to understand the resilience of the entity's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the entity's identified climate-related risks and opportunities. The entity shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity's circumstances (see paragraphs B1–B18). In providing quantitative information, the entity may disclose a single amount or a range. Specifically, the entity shall disclose: [Paragraph 22]	**Climate resilience** An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose: [Paragraph 26]	Aligned. The Reasonable Information Relief and Capabilities Relief are available for the determination of approach to climate-related scenario analysis. (See note to paragraph 26 of ESG Code and pages 17-19 and 47 of IG).

APPENDIX V: COMPARISON TABLE - ISSB CLIMATE STANDARD TO APPENDIX C2

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
		Also see paragraphs B6-B9 of the ISSB Climate Standard.
the entity’s assessment of its climate resilience as at the reporting date, which shall enable users of general purpose financial reports to understand: [Paragraph 22(a)]	the issuer’s assessment of its climate resilience as at the reporting date, which shall enable an understanding of: [Paragraph 26(a)]	Aligned.
the implications, if any, of the entity’s assessment for its strategy and business model, including how the entity would need to respond to the effects identified in the climate-related scenario analysis; [Paragraph 22(a)(i)]	the implications, if any, of the issuer’s assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis; [Paragraph 26(a)(i)]	Aligned.
the significant areas of uncertainty considered in the entity’s assessment of its climate resilience; [Paragraph 22(a)(ii)]	the significant areas of uncertainty considered in the issuer’s assessment of its climate resilience; and [Paragraph 26(a)(ii)]	Aligned.
the entity’s capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long term, including: (1) the availability of, and flexibility in, the entity’s existing financial resources to respond to the effects identified in the climate-related scenario analysis, including to address climate-related risks and to take advantage of climate-related opportunities; (2) the entity’s ability to redeploy, repurpose, upgrade or decommission existing assets; and	the issuer’s capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term; [Paragraph 26(a)(iii)]	Aligned. The IG sets out examples of disclosure to be included (See page 39 of IG).

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
(3) the effect of the entity's current and planned investments in climate-related mitigation, adaptation and opportunities for climate resilience; and [Paragraph 22(a)(iii)]		
how and when the climate-related scenario analysis was carried out, including: [Paragraph 22(b)] Information about the inputs the entity used, including: (1) which climate-related scenarios the entity used for the analysis and the sources of those scenarios; (2) whether the analysis included a diverse range of climate-related scenarios; (3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks; (4) whether the entity used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change; (5) why the entity decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties; (6) the time horizons the entity used in the analysis; and	how and when the climate-related scenario analysis was carried out, including: [Paragraph 26(b)] Information about the inputs used, including: (1) which climate-related scenarios the issuer used for the analysis and the sources of such scenarios; (2) whether the analysis included a diverse range of climate-related scenarios; (3) whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks; (4) whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change; (5) why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties; (6) time horizons the issuer used in the analysis; and	Aligned.

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
(7) what scope of operations the entity used in the analysis (for example, the operating locations and business units used in the analysis); [Paragraph 22(b)(i)]	(7) what scope of operations the issuer used in the analysis (for example, the operation locations and business units used in the analysis); [Paragraph 26(b)(i)]	
the key assumptions the entity made in the analysis, including assumptions about: (1) climate-related policies in the jurisdictions in which the entity operates; (2) macroeconomic trends; (3) national- or regional-level variables (for example, local weather patterns, demographics, land use, infrastructure and availability of natural resources); (4) energy usage and mix; and (5) developments in technology; and [Paragraph 22(b)(ii)]	the key assumptions the issuer made in the analysis; and [Paragraph 26(b)(ii)]	Aligned. The IG sets out examples of assumptions that an issuer may make and disclose (See page 41 of IG).
the reporting period in which the climate-related scenario analysis was carried out (see paragraph B18). [Paragraph 22(b)(iii)]	the reporting period in which the climate-related scenario analysis was carried out. [Paragraph 26 (b)(iii)]	Aligned.

STRATEGY		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
In preparing disclosures to meet the requirements in paragraphs 13–22, an entity shall refer to and consider the applicability of cross-industry metric categories, as described in paragraph 29, and industry-based metrics associated with disclosure topics defined in the *Industry-based Guidance on Implementing IFRS S2* as described in paragraph 32. [Paragraph 23]	In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36). [Paragraph 41]	Aligned.

APPENDIX V: COMPARISON TABLE - ISSB CLIMATE STANDARD TO APPENDIX C2

RISK MANAGEMENT		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
The objective of climate-related financial disclosures on risk management is to enable users of general purpose financial reports to understand an entity's processes to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process. [Paragraph 24]	Risk management – the process an issuer uses to identify, assess, prioritise and monitor climate-related risks and opportunities; and [Paragraph 2(3)(c)]	Aligned.
To achieve this objective, an entity shall disclose information about: [Paragraph 25] the processes and related policies the entity uses to identify, assess, prioritise and monitor climate-related risks, including information about: (i) the inputs and parameters the entity uses (for example, information about data sources and the scope of operations covered in the processes); (ii) whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related risks; (iii) how the entity assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the entity considers qualitative factors, quantitative thresholds or other criteria); (iv) whether and how the entity prioritises climate-related risks relative to other types of risk; (v) how the entity monitors climate-related risks; and	An issuer shall disclose information about: [Paragraph 27] the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about: (i) the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes); (ii) whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks; (iii) how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria); (iv) whether and how the issuer prioritises climate-related risks relative to other types of risks; (v) how the issuer monitors climate-related risks; and	Aligned.

RISK MANAGEMENT		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
(vi) whether and how the entity has changed the processes it uses compared with the previous reporting period; [Paragraph 25(a)]	(vi) whether and how the issuer has changed the processes it uses compared with the previous reporting period; [Paragraph 27(a)]	
the processes the entity uses to identify, assess, prioritise and monitor climate-related opportunities, including information about whether and how the entity uses climate-related scenario analysis to inform its identification of climate-related opportunities; and [Paragraph 25(b)]	the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenarios analysis to inform its identification of climate-related opportunities); and [Paragraph 27(b)]	Aligned.
The extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the entity's overall risk management process. [Paragraph 25(c)]	the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process. [Paragraph 27(c)]	Aligned.
In preparing disclosures to fulfil the requirements in paragraph 25, an entity shall avoid unnecessary duplication in accordance with IFRS S1 (see paragraph B42(b) of IFRS S1). For example, although an entity shall provide the information required by paragraph 25, if oversight of sustainability-related risks and opportunities is managed on an integrated basis, the entity would avoid duplication by providing integrated risk management disclosures instead of separate disclosures for each sustainability-related risk and opportunity. [Paragraph 26]	In preparing disclosures to meet the requirements in this paragraph 27, an issuer shall avoid unnecessary duplication with disclosures made pursuant to paragraphs 13(ii) and 14 (Materiality) of this Code. For example, although an issuer shall provide the information required by this paragraph 27, if oversight of ESG-related (including climate-related) risks and opportunities is managed on an integrated basis, the issuer would avoid duplication by providing integrated risk management disclosures instead of separate disclosures for each ESG-related risk and opportunity. [Note to paragraph 27]	Aligned.

METRICS AND TARGETS		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
The objective of climate-related financial disclosures on metrics and targets is to enable users of general purpose financial reports to understand an entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation. [Paragraph 27]	Metrics and targets – the metrics and targets an issuer uses to understand its performance in relation to climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation. [Paragraph 2(3)(d)]	Aligned.
To achieve this objective, an entity shall disclose: (a) information relevant to the cross-industry metric categories (see paragraphs 29–31); (b) industry-based metrics that are associated with particular business models, activities or other common features that characterise participation in an industry (see paragraph 32); and (c) targets set by the entity, and any targets it is required to meet by law or regulation, to mitigate or adapt to climate-related risks or take advantage of climate-related opportunities, including metrics used by the governance body or management to measure progress towards these targets (see paragraphs 33–37). [Paragraph 28]	N/A	Not HKEX's practice to set out the objective(s) of a provision in the Rules.
Climate-related metrics An entity shall disclose information relevant to the cross-industry metric categories of:	**Greenhouse gas emissions**	Aligned.

METRICS AND TARGETS		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
greenhouse gases—the entity shall: (i) disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO2 equivalent (see paragraphs B19–B22), classified as: (1) Scope 1 greenhouse gas emissions; (2) Scope 2 greenhouse gas emissions; and (3) Scope 3 greenhouse gas emissions; [Paragraph 29(a)(i)]	An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO_2 equivalent, classified as: (a) Scope 1 greenhouse gas emissions; (b) Scope 2 greenhouse gas emissions; and (c) Scope 3 greenhouse gas emissions. [Paragraph 28]	
measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or an exchange on which the entity is listed to use a different method for measuring its greenhouse gas emissions (see paragraphs B23–B25); [Paragraph 29(a)(ii)]	an issuer shall measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions; [Paragraph 29(a)]	Aligned.
disclose the approach it uses to measure its greenhouse gas emissions (see paragraphs B26–B29) including: (1) the measurement approach, inputs and assumptions the entity uses to measure its greenhouse gas emissions;	disclose the approach it uses to measure its *greenhouse gas* emissions including: (i) the measurement approach, inputs and assumptions the issuer uses to measure its *greenhouse gas* emissions;	Aligned.

METRICS AND TARGETS		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
(2) the reason why the entity has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and (3) any changes the entity made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes; [Paragraph 29(a)(iii)]	(ii) the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its *greenhouse gas* emissions; and (iii) any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes; [Paragraph 29(b)]	
for Scope 1 and Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(1)–(2), disaggregate emissions between: (1) the consolidated accounting group (for example, for an entity applying IFRS Accounting Standards, this group would comprise the parent and its consolidated subsidiaries); and (2) other investees excluded from paragraph 29(a)(iv)(1) (for example, for an entity applying IFRS Accounting Standards, these investees would include associates, joint ventures and unconsolidated subsidiaries); [Paragraph 29(a)(iv)]	N/A	Disclosure of scope 1 and scope 2 greenhouse gas emissions for the consolidated accounting group and other investees separately is encouraged but not mandatory (See p.83 of IG).
for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(2), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to inform users' understanding of the entity's Scope 2 greenhouse gas emissions (see paragraphs B30–B31); and [Paragraph 29(a)(v)]	for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and [Paragraph 29(c)]	Aligned.

METRICS AND TARGETS		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 29(a)(i)(3), and with reference to paragraphs B32–B57, disclose: [Paragraph 29(a)] the categories included within the entity's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011); and [Paragraph 29(a)(vi)(1)]	for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011). [Paragraph 29(d)]	Aligned.
additional information about the entity's Category 15 greenhouse gas emissions or those associated with its investments (financed emissions), if the entity's activities include asset management, commercial banking or insurance (see paragraphs B58–B63); [Paragraph 29(a)(vi)(2)]	Where an issuer's activities include asset management, commercial banking or insurance, the issuer is encouraged to disclose additional information about the issuer's Category 15 greenhouse gas emissions or those associated with its investments (financed emissions). [Note 3 to paragraph 29]	Disclosure of additional information about an issuer's category 15 greenhouse gas emissions is encouraged but not mandatory (See also page 92 of IG).
climate-related transition risks—the amount and percentage of assets or business activities vulnerable to climate-related transition risks; [Paragraph 29(b)]	**Climate-related transition risks** An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks. [Paragraph 30]	Aligned.

APPENDIX V: COMPARISON TABLE - ISSB CLIMATE STANDARD TO APPENDIX C2

METRICS AND TARGETS		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
climate-related physical risks—the amount and percentage of assets or business activities vulnerable to climate-related physical risks; [Paragraph 29(c)]	**Climate-related physical risks** An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks. [Paragraph 31]	Aligned.
climate-related opportunities—the amount and percentage of assets or business activities aligned with climate-related opportunities; [Paragraph 29(d)]	**Climate-related opportunities** An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities. [Paragraph 32]	Aligned.
capital deployment—the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities; [Paragraph 29(e)]	**Capital deployment** An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities. [Paragraph 33]	Aligned.
internal carbon prices—the entity shall disclose: (i) an explanation of whether and how the entity is applying a carbon price in decision-making (for example, investment decisions, transfer pricing and scenario analysis); and (ii) the price for each metric tonne of greenhouse gas emissions the entity uses to assess the costs of its greenhouse gas emissions;	**Internal carbon prices** An issuer shall disclose: (a) an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and	Aligned. Requirement of negative statement clarifies that an issuer is only required to make relevant disclosure if it has applied a

METRICS AND TARGETS		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
[Paragraph 29(f)]	(b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making. [Paragraph 34]	carbon price in decision-making.
Remuneration—the entity shall disclose: (i) a description of whether and how climate-related considerations are factored into executive remuneration (see also paragraph 6(a)(v)); and (ii) the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations. [Paragraph 29(g)]	**Remuneration** An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv). [Paragraph 35]	Disclosure of percentage of remuneration linked to climate-related considerations is not required. Requirement of negative statement clarifies that an issuer is only required to make relevant disclosure if it has factored climate-related considerations into its remuneration policy.

METRICS AND TARGETS		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
In preparing disclosures to meet the requirements in paragraph 29(b)–(d), an entity shall use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. [Paragraph 30]	In preparing disclosures to meet the requirements in paragraphs 30 to 32, an issuer shall use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort. [Note to paragraph 32]	Aligned.
in preparing disclosures to meet the requirements in paragraph 29(b)–(g), an entity shall refer to paragraphs B64–B65. [Paragraph 31]	N/A	The IG sets out application guidance provided under paragraph B65 of the ISSB Climate Standard (See page 100 of IG).
An entity shall disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the entity discloses, the entity shall refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the Industry-based Guidance on Implementing IFRS S2. [Paragraph 32]	**Industry-based metrics** An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks. [Paragraph 36]	Disclosure of industry-based metrics is on a voluntary basis only.

METRICS AND TARGETS		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
Climate-related targets An entity shall disclose the quantitative and qualitative climate-related targets it has set to monitor progress towards achieving its strategic goals, and any targets it is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the entity shall disclose: (a) the metric used to set the target (see paragraphs B66–B67); (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives); (c) the part of the entity to which the target applies (for example, whether the target applies to the entity in its entirety or only a part of the entity, such as a specific business unit or specific geographical region); (d) the period over which the target applies; (e) the base period from which progress is measured; (f) any milestones and interim targets; (g) if the target is quantitative, whether it is an absolute target or an intensity target; and (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	**Climate-related targets** An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose: (a) the metric used to set the target; (b) the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives); (c) the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region); (d) the period over which the target applies; (e) the base period from which progress is measured; (f) milestones or interim targets (if any); (g) if the target is quantitative, whether the target is an absolute target or an intensity target; and (h) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target. [Paragraph 37]	Aligned.

METRICS AND TARGETS		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
[Paragraph 33]		
An entity shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including: (a) whether the target and the methodology for setting the target has been validated by a third party; (b) the entity's processes for reviewing the target; (c) the metrics used to monitor progress towards reaching the target; and (d) any revisions to the target and an explanation for those revisions [Paragraph 34]	An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including: (a) whether the target and the methodology for setting the target has been validated by a third party; (b) the issuer's processes for reviewing the target; (c) the metrics used to monitor progress towards reaching the target; and (d) any revisions to the target and an explanation for those revisions. [Paragraph 38]	Aligned.
An entity shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the entity's performance. [Paragraph 35]	An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance. [Paragraph 39]	Aligned.
For each greenhouse gas emissions target disclosed in accordance with paragraphs 33–35, an entity shall disclose: (a) which greenhouse gases are covered by the target. (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target.	For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose: (a) which greenhouse gases are covered by the target; (b) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target;	Aligned.

METRICS AND TARGETS		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
(c) whether the target is a gross greenhouse gas emissions target or net greenhouse gas emissions target. If the entity discloses a net greenhouse gas emissions target, the entity is also required to separately disclose its associated gross greenhouse gas emissions target (see paragraphs B68–B69). (d) whether the target was derived using a sectoral decarbonisation approach. (e) the entity's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits the entity shall disclose information including, and with reference to paragraphs B70–B71: (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits; (ii) which third-party scheme(s) will verify or certify the carbon credits; (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and (iv) any other factors necessary for users of general purpose financial reports to understand the credibility and integrity of the carbon credits the entity plans to use (for example, assumptions regarding the permanence of the carbon offset).	(c) whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target; (d) whether the target was derived using a sectoral decarbonisation approach; and (e) the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose: (i) the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits; (ii) which third-party scheme(s) will verify or certify the carbon credits; (iii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and (iv) any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset). [Paragraph 40]	

METRICS AND TARGETS		
ISSB Climate-related Disclosures	**Relevant paragraph under Appendix C2**	**Remarks**
[Paragraph 36]		
In identifying and disclosing the metrics used to set and monitor progress towards reaching a target described in paragraphs 33–34, an entity shall refer to and consider the applicability of cross-industry metrics (see paragraph 29) and industry-based metrics (see paragraph 32), including those described in an applicable IFRS Sustainability Disclosure Standard, or metrics that otherwise satisfy the requirements in IFRS S1. [Paragraph 37]	**Applicability of cross-industry metrics and industry-based metrics** In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36). [Paragraph 41]	Aligned.

APPENDIX VI: LOCATION MAP: REPORTING PRINCIPLES UNDER ISSB STANDARDS TO IMPLEMENTATION GUIDANCE

Reporting principles under ISSB Standards	Reference in ISSB General Standard (S1) / ISSB Climate Standard (S2)	Location in Implementation Guidance (IG)
Quality of information	**S1:** Paragraph D4-D7; D9-D15; D17-D33	**IG:** Chapter 1 > Key concepts for preparing climate disclosures> (i) Quality of information
Reporting entity	**S1:** Paragraph 20, B38	**IG:** Chapter 1 > Key concepts for preparing climate disclosures> (ii) Reporting entity
Timing of reporting	**S1:** Paragraph 64-69	**IG:** Chapter 1 > Key concepts for preparing climate disclosures > (iii) Timing of reporting
Location of disclosures	**S1:** Paragraph 60-63	**IG:** Chapter 1 > Key concepts for preparing climate disclosures> (iv) Location of disclosures
Materiality	**S1:** Paragraph 17-19, B13-B28, D8	**IG:** Chapter 1 > Key concepts for preparing climate disclosures> (v) Materiality
Value chain concepts	**S1:** Paragraph 32, B2, B5 **S2:** Paragraph 13	**IG:** Chapter 1 > Key concepts for preparing climate disclosures > (vi) Value chain concepts
Statement of compliance	**S1:** Paragraph 72-73	**IG:** Chapter 1 > Key concepts for preparing climate disclosures> (vii) Statement of compliance
Judgments and measurement uncertainty	**S1:** Paragraph 74-82	**IG:** Chapter 1 > Key concepts for preparing climate disclosures > (viii) Judgments and measurement uncertainty
Interaction with law or regulation	**S1:** Paragraph B31-B33	**IG:** Chapter 1 > Key concepts for preparing climate disclosures > (ix) Interaction with law or regulation
Aggregation and disaggregation	**S1:** Paragraph B29-B30	**IG:** Chapter 1 > Key concepts for preparing climate disclosures > (x) Aggregation and disaggregation

Reporting principles under ISSB Standards	**Reference in ISSB General Standard (S1) / ISSB Climate Standard (S2)**	**Location in Implementation Guidance (IG)**
Comparative information	**S1:** Paragraph 52, 70-71, B49-B54	**IG:** Chapter 1 > Key concepts for preparing climate disclosures> (xi) Comparative information
Estimates and errors	**S1:** Paragraph 83-86, B55-B59	**IG:** Chapter 1 > Key concepts for preparing climate disclosures > (xii) Estimates and errors
Connected information	**S1:** Paragraph 21-24, 63, B39-B47	**IG:** Chapter 1 > Key concepts for preparing climate disclosures > (xiii) Connected information

APPENDIX VII: RECENT DEVELOPMENTS IN INTERNATIONAL PRACTICE

People's Republic of China

1. On 12 April 2024, the Shanghai Stock Exchange (**SSE**), Shenzhen Stock Exchange (**SZSE**) and Beijing Stock Exchange (**BSE**)(together, the **PRC Exchanges**) published their sustainability reporting guidelines for PRC listed issuers (**PRC Guidelines**)[1].

2. The PRC Guidelines set out reporting requirements across a broad range of ESG topics, including sustainability, climate change, as well as other environmental / social aspects. While the substantive content of the PRC Guidelines is aligned across the PRC Exchanges, each exchange has determined how the PRC Guidelines will apply to its listed issuers, as summarised below:

	SSE	SZSE	BSE
Mandatory reporting	• Issuers in the SSE 180 and SSE STAR 50 Indexes • Dual-listed issuers (domestic and overseas)	• Issuers in the SZSE 100 and ChiNext Indexes • Dual-listed issuers (domestic and overseas)	N/A
Voluntary reporting	• all other issuers[2]	• all other issuers	• all issuers (primarily innovative small and medium sized enterprises)

3. While the PRC Guidelines do not explicitly refer to the ISSB Standards, the PRC Guidelines are largely aligned with the ISSB Standards, with the following notable differences in approach:

   (a) <u>Materiality:</u> The PRC Guidelines provide for the "double materiality" approach.[3]

   (b) <u>Strategy disclosures:</u> Disclosure of both climate-related scenario analysis and anticipated financial effects is voluntary.

   (c) <u>Metrics and targets disclosures:</u>

   - *Scope 3 GHG emissions:* Disclosure is voluntary.
   - *Measurement of GHG emissions:* The PRC Guidelines do not prescribe any measurement method, whereas the GHG Protocol is the default measurement methodology under the ISSB Standards.

[1] The PRC Guidelines are available at:
- SSE: https://english.sse.com.cn/news/newsrelease/c/c_20240412_10753174.shtml
- SZSE: https://www.szse.cn/aboutus/trends/news/t20240412_606840.html (only available in Chinese)
- BSE: https://www.bse.cn/uploads/6/file/public/202404/20240412193432_9yjsl1e33w.pdf

[2] Where issuers listed on the PRC Stock Exchanges are encouraged to voluntarily issue sustainable development / ESG reports, if the report includes content that is covered by the PRC Guidelines, the disclosure should be consistent with the relevant requirements in the PRC Guidelines.

[3] The "double materiality" approach includes consideration of financial materiality and impact materiality of ESG issues.

- *Cross-industry metrics:* Other than GHG emissions, the PRC Guidelines do not prescribe other cross-industry metrics required by the ISSB Standards.
- *Industry-based metrics:* Silent in the PRC Guidelines.

(d) Implementation reliefs: the PRC Guidelines provide some relief for certain disclosure, such as disclosure of qualitative instead of quantitative information where quantitative disclosure is not feasible.

4. The PRC Guidelines will take effect on 1 May 2024 and apply to reporting periods commencing from 1 January 2025 onwards.

European Union

ESRS for all companies

5. In July 2023, the European Commission formally adopted the first set of the European Sustainability Reporting Standards (**ESRS**) for use by all companies subject to the Corporate Sustainability Reporting Directive (**CSRD**).[4]

6. The first set of ESRS is sector-agnostic and will apply to all undertakings within the scope of the CSRD, regardless of their sector(s) of operation. The key features of the ESRS include:

   (a) Reporting standards: the ESRS includes two cross-cutting standards and ten topical standards. The cross-cutting standards are the "General Requirements" standard, which provides overarching reporting principles, and the "General Disclosures" standard, which specifies essential information to be disclosed for all sustainability matters (governance, strategy, impact, risk and opportunity management and metrics and targets). The topical standards provide specific disclosure requirements for individual disclosure requirements;[5]

   (b) Materiality: the ESRS, with the exception of "General Disclosures" standard[6], are subject to materiality. The ESRS adopt a double materiality approach, requiring companies to consider both (i) impact materiality (a company's actual or potential, positive or negative impact on people or the environment) and (ii) financial materiality (how social and environmental issues create financial risks and opportunities for the company); and

   (c) Phased implementation: the ESRS will apply in four stages in accordance with the phased implementation timeline for the CSRD[7].

[4] In November 2022, the European Council adopted the CSRD to enhance the quality of sustainability-related disclosures required under the Non-Financial Reporting Directive (**NFRD**). The CSRD expanded the scope of companies subject to corporate sustainability reporting to include, among others, all large companies (whether listed or not, except for listed micro-enterprises) and all listed small and medium-sized enterprises (**SMEs**).

[5] The Environment standard covers climate change, pollution, water and marine resources, biodiversity and ecosystems, and resources and the circular economy. The Social standard relates to own workforce, workers in the value chain, affected communities, customers and end-users. The Governance standard focuses on business conduct.

[6] The "General disclosures" standard is mandatory for all reporting companies subject to the CSRD.

[7] Reporting in 2025 for the 2024 financial year: companies that are already subject to the NFRD.

Reporting in 2026 for the 2025 financial year: large companies that are not presently subject to the NFRD.

Exposure Drafts of ESRS for SMEs

7. Pursuant to the CSRD, the European Financial Reporting Advisory Group (**EFRAG**) was tasked to develop separate sustainability reporting standards for SMEs that are proportionate to their capacities and characteristics, as well as the scale and complexity of their activities. On 22 January 2024, EFRAG launched a public consultation on two exposure drafts of ESRS for listed and non-listed SMEs:

Draft ESRS for listed SMEs	Draft ESRS for non-listed SMEs
• Sets out mandatory reporting requirements for listed SMEs • Will be effective on 1 January 2026 with an additional two-year opt out • Specifies the sustainability information that listed SMEs will be required to disclose in their sustainability statement regarding their material impacts and risks in relation to ESG sustainability matters • The four reporting areas are (i) governance; (ii) strategy; (iii) impact and risk management; and (iv) metrics	• Voluntary sustainability reporting standard for non-listed SMEs • Sets out a reporting tool to assist non-listed SMEs in responding to requests for sustainability information from their business counterparts • Covers the same sustainability issues as the draft ESRS for listed SMEs, but in a simplified / proportionate manner, based on frequently observed data requests from business counterparts of non-listed SMEs

8. Market feedback was sought on, among others:

   (a) the methodological approach to implementing the CSRD requirements for listed SMEs;

   (b) the relevance of the proposed disclosures; and

   (c) market acceptance of the voluntary ESRS for non-listed SMEs.

   The consultation period will close on 21 May 2024.

Sector-specific ESRS

9. Under the CSRD, the European Commission is required to adopt, by 30 June 2024, (i) sector-specific ESRS and (ii) ESRS to be used by non-EU companies with a EUR150 million turnover in the EU and which have at least one subsidiary or branch in the EU (together, **Further ESRS**).

Reporting in 2027 for the 2026 financial year: listed SMEs. Listed SMEs may decide to opt out of the reporting requirements for a further two years. The last possible date for a listed SME to start reporting is the 2028 financial year, with its first sustainability statement published in 2029.

Reporting in 2029 for the 2028 financial year: non-European Union (**EU**) companies with net turnover above EUR150 million in the EU if they have at least one subsidiary or branch in the EU exceeding certain thresholds.

10. On 7 February 2024, the European Council of the European Union and the European Parliament agreed to delay the adoption of the Further ESRS by two years until 30 June 2026[8] in order to (i) alleviate the reporting burden of companies, (ii) enable companies to focus on the implementation of the first set of ESRS and (iii) allow more time for EFRAG to develop the Further ESRS[9].

Draft Implementation Guidance for the ESRS

11. On 22 December 2023, EFRAG launched a public consultation and sought comments on its first three draft implementation guidance (**ESRS IG**) to support companies in applying the first set of ESRS adopted in July 2023.

Draft ESRS IG 1: Materiality assessment	Draft ESRS IG 2: Value chain	Draft ESRS IG 3: ESRS datapoints
• Describes the ESRS reporting requirements on the "double materiality" assessment, with an illustration of the possible steps of an assessment and related FAQs	• Describes the ESRS reporting requirements on the value chain during the materiality statement, for impacts, risks and opportunity management as well as metrics and targets, with related FAQs	• Presents the complete list of disclosure requirements in the first set of ESRS to assist companies in performing a data gap analysis and preparing their sustainability statement

12. The consultation period closed on 2 February 2024. EFRAG has not indicated when it will publish the final ESRS IG.

United States

13. In March 2022, the Securities and Exchanges Commission (**SEC**) proposed amending its rules to require disclosure of climate-related information in registrants' registration statements and annual reports. The consultation period ended on 17 June 2022. On 6 March 2024, the SEC published the final rules for enhancing and standardising climate-related disclosures (**SEC Final Rules**). The SEC Final Rules leverage existing disclosure frameworks such as those established by the GHG Protocol and the TCFD. Unlike the ISSB Standards, the SEC Final Rules focuses on disclosure of climate-related (instead of sustainability-related) risks, and does not mandate disclosure of climate-related opportunities.

14. The SEC has scaled back on a number of its March 2022 proposals, such as dropping the scope 3 GHG emissions disclosure requirement, introducing a materiality threshold for and exempting smaller companies from disclosure of scopes 1 and 2 GHG emissions, as well as introducing additional phased-in periods for selected disclosures[10].

15. The table below summarises the key changes between the original proposals and the SEC Final Rules:

[8] https://www.consilium.europa.eu/en/press/press-releases/2024/02/07/council-and-parliament-agree-to-delay-sustainability-reporting-for-certain-sectors-and-third-country-companies-by-two-years/pdf.

[9] The delayed adoption of the Further ESRS in respect of large non-EU companies with business in the EU meeting certain thresholds does not affect the 1 January 2028 effective date for the application of the CSRD to such companies.

[10] Disclosures pertaining to material expenditures, GHG emissions, the assurance requirement and the electronic tagging requirement if the registrant is a LAF.

Original proposal (March 2022)	SEC Final Rules
• Require disclosure of oversight and governance of climate-related risks by the registrant's board and management	Adopted
• Require disclosure of climate-related risks identified by the registrant have had or are likely to have a material impact on its business and consolidated financial statements	Adopted
• Require disclosure of actual and potential impact of climate-related risks on the registrant's strategy, business model, and outlook	Adopted
• Require disclosure of impact of climate-related events (severe weather events and other natural conditions as well as physical risks identified) and transition activities (including transition risks identified) on the line items of the registrant's consolidated financial statements and related expenditures	Adopted with modifications: • Disclosure of capitalized costs, expenditures expensed, charges and losses incurred as a result of severe weather conditions and other natural conditions[11] as a note in financial statements, subject to de minimis threshold and phased implementation
• Require disclosure of transition plan, if any	Adopted, disclosures subject to safe harbour from private liability
• Require disclosure of climate-related scenario analysis, if used	Adopted, disclosures subject to safe harbour from private liability
• Require disclosure of processes to identify, assess, and manage climate-related risks and whether any such processes are integrated into the registrant's overall risk management system or processes	Adopted
• Require disclosure of scope 3 GHG emissions and intensity, if material, or if the registrant has set a GHG emissions reduction target or goal that includes its scope 3 GHG emissions	Dropped
• Require disclosure of internal carbon price, if used	Adopted, disclosure subject to safe harbour from private liability
• Require disclosure of information about climate-related targets or goals publicly set, if any	Adopted, subject to materiality[12]
• Require large accelerated filers (**LAFs**) and accelerated filers (**AFs**) to provide attestation report for scopes 1 and 2 GHG emissions	Adopted, subject to phased implementation

[11] Such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise.

[12] Require disclosure only if target has materiality affected or are reasonably likely to materially affect on issuer's business strategy, results of operations or financial condition.

16. The SEC Final Rules will become effective 60 days following publication of the adopting release in the Federal Register. Compliance will be phased in for all registrants based on filer status, as follows:

	Climate-related disclosures			
	Disclosures other than (i) financial effects disclosures and (ii) scope 1 and scope 2 GHG emissions	**Financial effects disclosures[13]**	**Scope 1 and scope 2 GHG Emissions**	**Assurance for GHG emissions**
LAFs	Financial year commencing Jan 2025	Financial year commencing Jan 2026	Financial year commencing Jan 2026	*Limited assurance:* Financial year commencing Jan 2029 *Reasonable assurance:* Financial year commencing Jan 2033
AFs (other than smaller reporting companies (SRCs) and emerging growth companies (EGCs))	Financial year commencing Jan 2026	Financial year commencing Jan 2027	Financial year commencing Jan 2028	*Limited assurance:* Financial year commencing Jan 2031
SRCs, EGCs and companies that are not LAFs, AFs	Financial year commencing Jan 2027	Financial year commencing Jan 2028	N/A	N/A

United Kingdom

Sustainability disclosure standards

17. In August 2023, the UK Government announced the development of the UK Sustainability Disclosure Standards (**UK Standards**). The UK Government will consider endorsing the ISSB Standards to create the UK Standards by July 2024. It is intended that the UK Standards will only divert from the ISSB Standards where necessary to address UK-specific matters. The UK Standards will serve as the foundation for future requirements in the UK for companies to report on sustainability and climate matters.

18. The UK Government set up the UK Sustainability Disclosure Technical Advisory Committee (**TAC**) to assess the ISSB Standards from a technical standpoint. In July 2023, TAC published a call for evidence seeking views on the use of the ISSB Standards in the UK, including technical feasibility of reporting and whether disclosures can be

[13] Material expenditures incurred and material impacts on financial estimates and assumptions directly resulting from (1) climate-related risks identified; (2) transition plan adopted to manage a material transitional risk; and (3) targets or goals, or actions taken to progress towards meeting a target or goal.

prepared on a timely basis at the same time as general-purpose financial reports. The consultation period concluded on 11 October 2023.

19. In August 2023, the Financial Conduct Authority (**FCA**) announced its intention to consult on updating its TCFD-aligned disclosure framework[14] for listed companies to refer to the UK-endorsed ISSB Standards, once available. The FCA aims to consult on its proposals in the first half of 2024, with a view to introducing new disclosure requirements for accounting periods beginning on or after 1 January 2025 at the earliest. In the meantime, the FCA encourages listed companies and their advisers to start considering the ISSB Standards and to build them into their future reporting plans.

Transition Plan Taskforce framework

20. The UK Government launched the UK Transition Plan Taskforce (**TPT**) with a mandate to develop good practice for climate transition plan disclosures, in view of the UK's 2050 net zero goal.

21. In October 2023, the TPT published its disclosure framework (**TPT Disclosure Framework**), which is intended to serve as a "gold standard" for UK companies to develop, disclose and deliver their climate transition plans. The TPT Disclosure Framework is designed to be interoperable with the ISSB Standards. It applies the ISSB's definition of a climate-related transition plan, as well as the materiality approach and wider concepts and definitions in the ISSB General Standard.

22. The TPT Disclosure Framework is based on three principles and five disclosure elements:

Ambition principle	
Disclosure element - Foundations	• Scope of transition plan by reference to the company's strategic objectives and priorities in transitioning to a low-carbon economy (including impact on business model and value chain)
Action principle	
Disclosure element - Implementation strategy	• Policies implemented and actions taken in pursuit of the company's strategic ambition (including impact of policies and actions on financial position, performance and cashflow)
Disclosure element - Engagement strategy	• The company's plan of engagement with key stakeholders to achieve its strategic ambition
Accountability principle	
Disclosure element - Metrics and targets	• Identify key metrics and targets by reference to which the company monitors and assesses its progress in achieving its strategic ambition
Disclosure element - Governance	• How the company is embedding its transition plans within its governance structures to achieve its strategic ambition

[14] Currently, listed companies in the UK (other than closed-ended investment entities) are required to report against the TCFD framework on a "comply or explain" basis, whereas the new regime would involve mandatory disclosures.

Sector-specific guidance to support the TPT Disclosure Framework

23. In April 2024, the TPT published a set of transition plan resources to help business build robust and credible net zero transition plans. In particular, two types of sector guidance have been released to complement the TPT Disclosure Framework:

    (a) Sector summary: a high-level overview of transition plan guidance for 30 financial and real economy sectors, including information on recognised decarbonisation levers, metrics and targets and key sources of guidance for a transition plan.

    (b) Sector deep dive guidance: sector-specific guidance for preparers of climate transition plans in seven sectors[15] to interpret the TPT Disclosure Framework. Each guidance introduces the sector context and provides suggestions for disclosures and further guidance and resources for preparers to consider.

24. The transition plan resources also included a guidance on how to undertake a transition planning cycle, a paper on the opportunities and challenges of transition plans in emerging markets and developing economies and independent advisory papers exploring how transition planning can extend beyond realising net zero.

Canada

25. In March 2024, the Canadian Sustainability Standards Board (**CSSB**)[16] published the exposure drafts of its proposed Canadian Sustainability Disclosure Standards (**CSDS**) for public comments. The consultation will close on 10 June 2024.

26. The proposed CSDS aims to encourage entities to voluntarily disclose information about sustainability-related (**CSDS 1**) and climate-related (**CSDS 2**) risks and opportunities that could reasonably be expected to affect an entity's cash flows, its access to finance or cost of capital over the short, medium or long term.

27. The CSDS exposure drafts largely align with the ISSB Standards, with some minor modifications to address specific Canadian circumstances:

    (a) Effective dates: while the ISSB Standards require entities to apply them starting from 1 January 2024, the CSDS proposes extending the effective dates of the CSDS 1 and CSDS 2 by one year to 1 January 2025.

    (b) Transition relief for disclosures beyond climate-related risks and opportunities: the ISSB Standards allow entities to focus solely on climate-related risks and opportunities in their first reporting year, while the CSDS proposes extending this relief for a period of two years.

    (c) Comparative information: the ISSB Standards mandate entities to disclose comparative information on sustainability-related risks and opportunities (excluding climate-related risks and opportunities) in the second annual reporting period, while the CSDS proposes extending this requirement to the third annual reporting period.

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[15] The seven sectors covered are: Asset Managers, Asset Owners, Banks, Electric Utilities & Power Generators, Food and Beverage, Metals and Mining, Oil & Gas.

[16] CSSB was established to serve the public interest by setting and maintaining high-quality sustainability disclosure standards for Canadian entities and by contributing to the development of high-quality, internationally recognized sustainability disclosure standards.

(d) Transition relief for scope 3 GHG emissions: the proposed transition relief for disclosure of scope 3 GHG emissions has been extended from one year granted by the ISSB to two years.

28. Along with the CSDS exposure drafts, the CSSB also published for comments the "Proposed Criteria for Modification Framework" which outlines the criteria the CSSB will consider when deviating from the ISSB standards to develop Canadian-specific standards.

29. Following the release of the CSDS exposure drafts, the Canadian Securities Administrators (**CSA**) announced their intention to seek public comments on a revised CSA rule on climate-related disclosures for the securities market, taking into account the final CSDS.

Singapore

30. In July 2023, the Accounting and Corporate Regulatory Authority (**ACRA**) and Singapore Exchange Regulation (**SGX RegCo**) published a consultation paper on the recommendations by the Sustainability Reporting Advisory Committee (**SRAC**)[17] (**SRAC Recommendations**) to mandate climate-related disclosures for listed and large non-listed companies in Singapore[18]. The consultation ended in September 2023.

31. On 28 February 2024, ACRA and SGX Regco published their response to the public consultation, setting out the finalised climate reporting and assurance roadmap summarised as follows:

Requirement	Effective date	
	Listed issuers	**Large non-listed companies[19]**
Climate-related disclosures, including scope 1 and scope 2 GHG emissions	FY 2025	FY2027
Scope 3 GHG emissions	FY 2026	No earlier than FY 2029
External limited assurance on scope 1 and scope 2 GHG emissions	FY 2027	FY 2029

[17] The SRAC is an industry-led committee set up by the ACRA and SGX RegCo to advise on the roadmap for wider implementation of sustainability reporting by companies in Singapore.

[18] Currently, the Singapore Listing Rules require listed issuers in five industries to include mandatory climate-related disclosures consistent with the TCFD Recommendations in their sustainability report. Issuers from the financial industry, agricultural, food and forest products industry and energy industry are subject to mandatory climate reporting from the financial year commencing on or after 1 January 2023. Issuers in the materials and buildings industry and transportation industry are subject to mandatory climate reporting from the financial year commencing on or after 1 January 2024. All other listed issuers are required to make climate-related disclosures on a "comply or explain" basis.

[19] Large non-listed companies refer to unlisted companies with a revenue of at least S$1 billion and total assets of at least S$500 million.

32. In-scope companies shall make climate-related disclosures using the prescribed baseline standards based on the ISSB Standards to the extent possible, with exemptions to use other reporting standards[20].

33. ACRA will review around 2027 whether to extend the climate-related disclosure reporting requirements to smaller non-listed companies, and whether to extend scope 3 GHG emissions by large non-listed companies.

34. On 7 March 2024, SGX RegCo issued a consultation paper on sustainability reporting (**SGX Consultation**) to seek market views on how to incorporate the ISSB Standards into its sustainability reporting regime (**SR Regime**)[21] for climate-related disclosures. The SGX Consultation closed on 5 April 2024. Key amendments to the SR Regime included:

Financial year commencing on or after	Proposal
1 January 2025	• Make reference to both the ISSB General Standard and the ISSB Climate Standard in preparing climate-related disclosures • Disclose the primary components[22] of a sustainability report • disclose scope 1 and scope 2 GHG emissions and the measurement approach
1 January 2026	• Disclose applicable categories of scope 3 GHG emissions • Align publication timeframe of sustainability reports and annual reports
1 January 2027	• Provide a confirmation on compliance with the ISSB Standards in sustainability reports

35. SGX RegCo did not mandate disclosure of transition plans or obtaining of external assurance at this stage. However, SGX RegCo indicated that it would continue to monitor developments in these areas.

Australia

Australian Sustainability Reporting Standards

36. In October 2023, the Australian Accounting Standards Board (**AASB**) issued an Exposure Draft of the Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information (**ASRS**) for public comments. The ASRS exposure draft comprised three proposed standards:

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[20] Large non-listed companies may be exempted from using the ISSB Standards if their parent company is already reporting on ISSB-aligned local reporting standards or equivalent standards (e.g. ESRS), subject to other conditions. A three-year transitional period (FY 2027 to FY 2029) will be provided to large non-listed companies whose parent company is already reporting on climate-related disclosures using other international standards and frameworks (e.g. GRI or TCFD).

[21] The SR Regime comprises listing rules on annual sustainability reporting and a sustainability reporting guide.

[22] The SGX Listing Rules provide that a sustainability report should describe, on a "comply or explain" basis, an issuer's sustainability practices with reference to six primary components, including material ESG factors, climate-related disclosures consistent with the TCFD Recommendations, policies, practices and performance, targets, reporting framework, and a statement from the board of directors and associated governance structure for sustainability practices.

(a) ASRS 1 General Requirements for Disclosure of Climate-related Financial Information (**ASRS 1**): outlines general requirements for disclosing material information on climate-related risks and opportunities under the four core pillars of the TCFD Recommendations, namely Governance, Strategy, Risk Management, and Metrics and Targets;

(b) ASRS 2 Climate-related Financial Disclosures (**ASRS 2**): specifies disclosure requirements regarding climate-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, access to finance or cost of capital in the short, medium or long term; and

(c) ASRS 101 References in Australian Sustainability Reporting Standards: a service standard that lists the relevant versions of non-legislative documents published in Australia and foreign documents that are referenced in the ASRS.

37. While the ASRS use the ISSB Standards as a baseline, the AASB exposure draft proposed various modifications to suit the Australian context:

(a) Scope: ASRS 1 limits the scope of any equivalent standards of the ISSB General Standard to climate-only matters. The scope of ASRS 2 is limited to climate-related risks and opportunities related to climate change, and does not apply to other climate-related emissions (e.g. ozone depleting emissions) that are not GHG emissions.

(b) Materiality: where an entity determines that there are no material climate-related risks and opportunities that could reasonably be expected to affect its prospects, it should disclose that fact and explain how it came to its conclusion.

(c) Conversion and measurement of GHG emissions: entities are required to convert GHG emissions into a CO_2 equivalent value using global warming potential (**GWP**) values referred in local legislation, rather than the GWP values referred to in the latest Intergovernmental Panel on Climate Change (**IPCC**) assessment as at the reporting date.[23] Entities are also required to prioritise applying GHG emissions measurement methodologies under NGER, to the extent applicable, before applying other methodologies before referring to other methodologies or frameworks such as the GHG Protocol.

(d) Scope 2 GHG emissions: entities are required to disclose market-based (when applicable) scope 2 GHG emissions in addition to their location-based scope 2 GHG emissions, except for the first three annual reporting periods in which an entity applies ASRS 2.

(e) Scope 3 GHG emissions: where reasonable and supportable data related to the current reporting period is not available without undue cost and effort, entities are allowed to disclose their current reporting period scope 3 GHG emissions using data from the immediately preceding reporting period.

(f) Scope 3 GHG emissions categories: entities are not required to categorize the sources of their scope 3 GHG emissions in accordance with the categories of the GHG Protocol.

[23] Entities in Australia reporting under Australia's National Greenhouse and Energy reporting Act 2007 (**NGER**) are required to use the GWP values in the IPCC 5th assessment report (which is not the latest IPCC assessment report).

(g) Financed emissions: entities that participate in asset management, commercial banking or insurance activities are only required to consider the applicability of requirements under the ISSB Climate Standard relating to financed emissions.

(h) Climate-related scenario analysis: entities should undertake climate resilience assessments against at least two possible future states, one of which must be consistent with the most ambitious global temperature goal set out in the Climate Change Act 2022 (i.e. 1.5°C above pre-industrial levels).

(i) Industry-based metrics: entities are not required to consider the applicability of the SASB Standards or the Industry-based Guidance on Implementing IFRS S2 issued by the ISSB.[24]

38. The consultation period ended on 1 March 2024. The effective date of the ASRS would depend on the Australian government's final timeline for making climate-related financial disclosures mandatory.

Draft legislation on climate reporting

39. Following the AASB's consultation, in January 2024, the Australian Treasury published for public comments exposure draft legislation to introduce mandatory reporting requirements for large businesses and financial institutions to disclose their climate-related risks and opportunities (**Draft Legislation**).

40. The Draft Legislation covers the following:

(a) Phased implementation for in-scope reporting entities: entities who are required to prepare and lodge annual reports under the Australia Corporations Act and who meet the criteria set out below are subject to mandatory disclosure in a phased manner[25]:

First annual reporting periods starting on or after	**Large entities and their controlled entities meeting at least two of three criteria:**			**National Greenhouse and Energy Reporting (NGER) Reporters**	**Asset Owners**
	Consolidated revenue	**EOFY consolidated gross assets**	**EOFY employees**		
1 Jul 2024 Group 1	\$500 million or more	\$1 billion or more	500 or more	Above NGER publication threshold	N/A
1 Jul 2026 Group 2	\$200 million or more	\$500 million or more	250 or more	All other NGER reporters	\$5 billion assets under management or more
1 Jul 2027 Group 3	\$50 million or more	\$25 million or more	100 or more	N/A	N/A

Note: EOFY means "End of financial year"

[24] If an entity elects to make industry-based disclosures, it shall consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in the Australian and New Zealand Standard Industrial Classification (being the industry classification system used in Australia).

[25] https://treasury.gov.au/sites/default/files/2024-01/c2024-466491-policy-state.pdf.

The Australian Treasury sought market feedback on whether the earliest commencement date (i.e. 1 July 2024 for Group 1 entities) should be postponed to 1 January 2025 instead to improve the quality of reporting.

(b) Reporting requirements: as set out in the ASRS to be finalized by the AASB.

(c) Assurance: phased approach, starting with limited assurance of scope 1 and 2 GHG emissions disclosures from reporting periods commencing on 1 July 2024, culminating with reasonable assurance for all climate-related financial disclosures made from reporting periods commencing on 1 July 2030. The Australian Auditing and Assurance Board (**AUASB**) will develop assurance standards in line with the International Auditing and Assurance Standards Board's (**IAASB**) final standard.

(d) Liability framework: modified liability approach to disclosure of scope 3 GHG emissions and climate-related forward-looking statements for sustainability reports prepared in respect of financial years commencing between 1 July 2024 and 30 June 2027.

41. The consultation period closed on 9 February 2024. The Draft Legislation is subject to further legislative processes before coming into effect.

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